

**NORD/LB**

Creating true value.

**Norddeutsche Landesbank Girozentrale**

Hanover, Brunswick, Magdeburg

**Annual Report 2023**

## NORD/LB at a Glance

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
<b>Income Statement</b>			
Net interest income	1 076	896	20
Net commission income	209	166	26
Profit/loss from fair value measurement	- 105	- 104	1
Risk provisioning	- 99	142	> 100
Disposal Profit/loss from financial instruments not measured at fair value through profit or loss <sup>2)</sup>	14	- 33	> 100
Profit/loss from hedge accounting	19	20	- 3
Profit/loss from shares in companies	94	7	> 100
Profit/loss from investments accounted for using the equity method	4	34	- 88
Administrative expenses	- 908	- 909	- 0
Other operating profit/loss	18	- 48	> 100
<b>Earnings before restructuring, transformation and taxes</b>	<b>322</b>	<b>171</b>	<b>88</b>
Profit/loss from restructuring and transformation	- 52	- 67	- 23
<b>Earnings before taxes</b>	<b>271</b>	<b>104</b>	<b>&gt; 100</b>
Income taxes	- 47	- 15	> 100
<b>Consolidated profit</b>	<b>224</b>	<b>89</b>	<b>&gt; 100</b>

	1 Jan. - 31. Dec. 2023 (in %)	1 Jan. - 31. Dec. 2022 (in %)	Change (in %)
<b>Key figures</b>			
Cost-Income-Ratio (CIR)	73.5%	97.6%	- 25
Return-on-Equity (RoE)	4.0%	1.5%	> 100

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
<b>Balance sheet figures</b>			
Total assets	111 981	109 325	2
Financial liabilities at amortised costs	87 697	86 033	2
Financial assets at amortised costs	96 125	93 342	3
Equity	6 815	6 248	9

	31 Dec.2023	31 Dec.2022 <sup>1)</sup>	Change (in %)
<b>Regulatory key figures</b>			
Common equity tier 1 capital (in € million)	6 147	6 051	2
Tier 1 capital (in € million)	6 198	6 101	2
Tier 2 capital (in € million)	803	1 340	- 40
Own funds (in € million)	7 000	7 441	- 6
Total risk exposure amount (in € million)	40 572	40 142	1
Common equity tier 1 capital ratio (in %)	15.15%	15.07%	1
Total capital ratio (in %)	17.25%	18.54%	- 7
Leverage Ratio (transitional)	5.52%	5.45%	1

<sup>1)</sup> The previous year's figures have been adjusted for individual items.

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





**Jörg Frischholz**

Chairman of the Managing Board of NORD/LB, Hanover

## Preface by the Chairman of the Managing Board

Dear Sir or Madam,

NORD/LB can look back on a successful 2023 financial year. The Bank's annual result underlines the impact of our strategy and our efforts to realign. We again posted a positive earnings performance and improved in key figures.

Our good business figures are based on a significant growth in earnings. In a volatile macroeconomic environment, we significantly increased our earnings. At the same time, we have been able to stabilise our costs, which is not always a matter of course when faced with higher inflation rates. As a result, we significantly improved profitability in the 2023 financial year.

This has formed the basis for our confidence to support our customers in financing their important projects. As a "Bank der Energiewende", promoting Germany's energy transition, we are particularly concerned with the consideration of sustainable aspects. It is therefore all the more gratifying to have been honoured by external bodies for our efforts in the field of ESG transformation: The rating agency Sustainalytics recently reported a significant improvement in our sustainability rating.

We want to build on these successes again this year. As a leading lender of renewable energies, we see it as our duty to continue to make an active contribution to the energy and climate transition in the future. Sustainability now plays an important role in all our business areas.

I would like to take this opportunity to thank our customers for their constructive collaboration. I would also like to thank our employees, who are committed to helping NORD/LB succeed each and every day. I would also like to thank our investors and owners for their trust in NORD/LB.

Yours sincerely,



**Jörg Frischholz**

Chairman of the Managing Board of NORD/LB Norddeutsche Landesbank

## Managing Board of the NORD/LB



Photo: from left to right

**Christoph Schulz (resigned on 31/12/2023)**

*Former departments:* Chairman of the Managing Board of Braunschweigische Landessparkasse (BLSK) Private and Commercial Customers (NORD/LB), Savings Banks Network Customers, Deutsche Hypo and Relationship Amsterdam. Private and Commercial Customers of BLSK, Corporate Customers of BLSK, BLSK Retail Management and BLSK Relationship

**Ingrid Spletter-Weiß**

BLSK Private and Corporate Customers, BLSK Corporate Customers & Private Banking, Retail Real Estate & Management, Northern Savings Bank Network Customers and Corporate Customers, Central & Southern Corporate Customers, Structured Solutions & Products, Strategy & Management, Treasury, Markets and Relationship Asia with the Singapore branch, Relationship BLSK and Relationship Saxony-Anhalt

**Jörg Frischholz**

Chairman of the Managing Board

Corporate Development, Corporate Communications, Legal and Board of Management, Group Organisation/Personnel (KOP), Audit, Structured Finance, Aviation Finance & Investment Solutions (AFIS), Deutsche Hypo, Relationship UK with the London branch, Relationship Americas with the New York branch, Relationship Amsterdam and the temporary takeover of the Finance, Group IT and Data Insights divisions.

**Olof Seidel (resigned on 31/12/2023)**

*Former departments:* Business Management & Operations, KreditServices Retail (KSR), Bank Management/Finance, Group IT, Compliance/Group Security, NORD/LB 2024 programme and Relationship Asia with the Singapore and Shanghai branches

**Christoph Dieng**

Credit Risk Management, Special Credit and Valuation (SCV), Risk Controlling (RC), Research/Economy, Compliance/Group Security, Landesförderinstitut Mecklenburg-Vorpommern (Mecklenburg-Western Pomerania State Development Institute), Mecklenburg-Western Pomerania Relationship and temporary takeover of the Business Management & Operations unit and the Nord/LB 2024 programme

## Gender-sensitive Language

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

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# Combined Management Report

## Introductory Notes

The management report of Norddeutsche Landesbank Girozentrale (public law institution) (hereinafter referred to as: NORD/LB or Bank) and the NORD/LB Group have been combined in accordance with Section 315 (5) HGB in conjunction with Section 298 (2) HGB to improve clarity. NORD/LB's annual financial statements and consolidated financial statements (including the combined management report) for the financial year 1 January 2023 to 31 December 2023 are submitted together to the operator of the Federal Gazette and published in the Federal Gazette. NORD/LB's annual and consolidated financial statements are also available online at

<https://www.nordlb.com/nordlb/investor-relations/reports/2023>

The following statements in the combined management report generally relate to the NORD/LB Group. Significant deviations to the Bank are specified and, if necessary, explained. Detailed explanations of the annual financial statements of the individual institution NORD/LB (Bank) can be found at the end of this combined management report.

The reporting currency for the consolidated financial statements is the euro. All amounts in the consolidated financial statements are stated as rounded figures in millions of euro (€ million) according to standard commercial practice, unless explicitly indicated. This may result in minor differences in the formation of totals and the calculation of percentages, which do not represent any restrictions on the report quality. The figures for the previous year are in each case stated afterwards in brackets. The percentage changes are presented in absolute numbers.

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

With the entry into force of the "Act to strengthen the non-financial reporting of companies in their management and group management reports" (CSR Directive Implementation Act), the NORD/LB Group is obliged to report on environmental, employee and social concerns as well as on measures to combat corruption and bribery and the observance of human rights if these are essential for understanding the course of business and the effects of its own company activities. To comply with this requirement, the NORD/LB Group reports within the framework of a "Combined separate non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2023" published outside this Group management report in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB) Section 315b (1) and (3) and Section 315c in conjunction with Section 289b (3).

The "Combined separate non-financial report of the NORD/LB Group and NORD/LB for the financial year from 1 January to 31 December 2023" is published in accordance with Section 315b (3) sentence 1 No. 2a) HGB in the electronic Federal Gazette and additionally on the Internet at:

<https://www.nordlb.de/die-nordlb/investor-relations/reports/2023>

## Group – Basic Information

## Business Model

Norddeutsche Landesbank Girozentrale (NORD/LB) is a public-law institution with legal capacity based in Hanover, Braunschweig and Magdeburg. The Bank is owned by the Federal State of Lower Saxony (in part through its holding companies Niedersachsen Invest GmbH and Hannoversche Beteiligungsgesellschaft Niedersachsen mbH), the Federal State of Saxony-Anhalt, the Savings Banks Association of Lower Saxony, the Holding Association of the Savings Banks of Saxony-Anhalt, the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania and the Savings Banks Finance Group's security system with two trust companies FIDES Gamma GmbH and FIDES Delta GmbH.

As of 31 December 2023, the share capital amounted to around € 3,168 million, 57.92 per cent of which is held by Lower Saxony, 6.25 per cent by Saxony-Anhalt, 8.92 per cent by the Savings Banks Association of Lower Saxony, 1.79 per cent by the Holding Association of the Savings Banks of Saxony-Anhalt, 1.24 per cent by the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, 11.94 per cent by FIDES Gamma GmbH and 11.94 per cent by FIDES Delta GmbH.

NORD/LB is a Landesbank (federal state bank), central savings bank and commercial bank, which is represented beyond its core regions with domestic branches in Bremen, Düsseldorf, Hamburg, Munich, Oldenburg and Schwerin, among others. NORD/LB maintains branches in London, New York and Singapore for its foreign business activities. As legally dependent business units, the offices pursue the same business model as NORD/LB. In addition, the Bank maintains real estate offices under the "Deutsche Hypo – NORD/LB Real Estate Finance" brand in London, Amsterdam, Paris, Warsaw and Madrid, whereby the real estate office in Amsterdam is classified as a branch by the supervisory authority there.

Within the NORD/LB Group, NORD/LB acts as the parent company, which manages all business activity in line with the strategic targets. The Group also includes the subsidiary NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg, (hereinafter referred to as: NORD/LB Luxembourg) and other consolidated companies. In addition, the Bank holds participations in non-consolidated companies. With regard to the composition of the Group and the investments held, please refer to the Notes.

As a Landesbank, NORD/LB supports its executing agencies in Lower Saxony and Saxony-Anhalt in the procurement of its banking activities. The Bank also handles development business on behalf of the State of Mecklenburg-Western Pomerania through the Landesförderinstitut Mecklenburg-Vorpommern, Schwerin (a business area of NORD/LB). As of 1 March 2023, the development bank Saxony-Anhalt – previously established as an institution within NORD/LB, through which NORD/LB handled its development business on behalf of the State of Saxony-Anhalt – was removed from NORD/LB and made independent as an institution governed by public law. Since then, Saxony-Anhalt has been the sole owner of the newly formed development bank.

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

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

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

- Private and commercial customers
- Corporate customers and savings bank network
- Markets
- Special financing (energy & infrastructure customers and aviation finance & investment solutions (AFIS))
- Real estate customers (Deutsche Hypo)

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

## Outline of the Control System

The control systems used for the 2023 financial year are described below. The NORD/LB Group's integrated control system offers a comprehensive overview of the Group's profitability, equity, risk, liquidity and asset quality. The central aim is to optimise the Bank's profitability while simultaneously ensuring adequate capital and liquidity. The focus of the integrated management system is on standardised and integrated management reporting during the year – called finance and risk compass – 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 (at least) or ad hoc strategy and planning process, which includes the following key steps: Until the start of the strategy and planning process, the Managing Board adopts targets for the Group and its segments (top down). In the strategy and planning process, these form both the basis for the strategic goals and the (operational) measures derived from them to achieve the targets, as well as the basis for Group planning for the following year, including medium-term planning. Dependencies and consistency between strategy and planning are thereby guaranteed.

Profitability management is based on a multi-step contribution margin analysis at the main 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.

### Definition of the most important financial performance indicators

<b>Earnings before taxes (consolidated)</b>	As shown in the income statement
<b>Cost-Income-Ratio (CIR)</b>	Administrative expenses / Total earnings  Administrative expenses = Sum of personnel expenses, material expenses and other administrative expenses as well as depreciation and impairments on property, plant and equipment, intangible assets, investment properties and leasing objects.  Total earnings = Sum of net interest income, net commission income, profit/loss from financial assets at fair value, disposal profit/loss from financial assets that are not measured at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss
<b>Return-on-Equity (RoE)</b>	Earnings before taxes (consolidated) / Long-term equity under commercial law  Long-term equity under commercial law = reported equity - OCI - earnings after taxes
<b>Return on risk-adjusted capital (RoRaC)</b>	Earnings before taxes for the segment / committed capital

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

At Group level, for example, the Common Equity Tier 1 ratio (CET1), the total risk contribution (RWA), the leverage ratio and the absolute parameters required to calculate these key figures are important management metrics. The primary objective is to ensure permanent adherence to the defined internal objectives and all regulatory requirements. Given the need to provide evidence of adequate capital, the risks incurred are continuously reviewed to ensure that they are covered by the available risk capital at all times. This includes management of risk-bearing capacity, taking account of the utilisation of risk capital

by risk potential. The risk-bearing capacity calculation is supplemented with stress tests in order to provide an in-depth analysis.

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

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

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



## Economic Report for the Group

## General Economic and Industry-Specific Environment

### Global economic environment

Looking at the global economy, the problems of supply bottlenecks initially faded further into the background in 2023. However, geopolitical risks remained in focus. In this environment, German gross domestic product shrunk by 0.3 per cent in 2023 as a whole, adjusted for prices. The war in Ukraine, the subsequent energy price shocks and the geopolitical fragility that is still evident can be cited as important pressure factors. Compared with the previous quarter, German gross domestic product fell by 0.3 per cent in the fourth quarter of 2023 on a price, seasonal and calendar basis. Following data revisions carried out by the Federal Statistical Office, no technical recession has so far been detected. Sentiment in the German economy continues to be marked by tension. For example, the ifo business climate index experienced a surprisingly significant fall to 85.2 points in January 2024. This is the weakest value since mid-2020 to thus be reported at the current margin for this key German sentiment indicator. Above all, the companies surveyed rate their current business situation much more critically than in the previous month. With regard to the eurozone, the rate of change in real gross domestic product for the fourth quarter of 2023 remains unchanged compared with the previous quarter, according to an initial flash estimate by the statistical authority Eurostat – in view of the data situation that is usually still incomplete at that point in time; with regard to 2023 as a whole, real economic growth in the monetary union increased accordingly by 0.5 per cent. At the start of 2024, the stormier weather for the economy in the eurozone seems to have eased somewhat. The bank survey conducted every quarter by the European Central Bank shows a slower decline in demand for credit over the last quarter of 2023. In the USA, real economic activity increased by an annualised 3.2 per cent in the fourth quarter of 2023, according to preliminary data (1st revision). Overall, encouraging data was also reported for the previous quarters. The US economy was thus able to grow relatively strongly by at least 2.5 per cent in 2023. However, sentiment in the US economy is deteriorating. In January 2024, the important US purchasing managers' index ISM Manufacturing PMI stood at 49.1 points, slightly below the 50-point mark, which is considered the growth threshold when taking a mechanistic interpretation. However, the situation on the US labour market can still be described as encouraging; at 3.7 per cent, the unemployment rate in December 2023 has remained unchanged compared with the previous month. According to preliminary data, this rate did not change in January 2024 either.

The recent observed trend in inflation forced central banks to raise key interest rates in many currency areas in 2023 as well. In the eurozone and the US, the local interest rates are likely to have peaked during the course of 2023. 2024 should indeed bring interest rate cuts in both currency areas, which is now also anticipated in capital market yields. However, in January 2024, at its first central bank meeting of the new year, the US Federal Reserve was not willing to make any adjustments to the direction of its monetary policy yet and also verbally signalled that it does not want to adjust the Fed Funds Target Rate (the key interest rate in the USA) too quickly. The central banks in Washington and Frankfurt are likely nevertheless to find themselves under pressure to act during 2024. This environment naturally has a dampening effect on the level of capital market yields in the two currency areas – and beyond. The yield on German government bonds with a remaining term to maturity of ten years approached the psychologically important resistance level of 3.00 per cent over the course of the year until October. By the end of the year, however, the focus shifted to the 2.00 per cent mark. With regard to yields on US government bonds in the 10-year maturity range, it can be noted that this time series in principle oscillated continuously below the 4.00 per cent mark in the second half of December 2023 after increasing tendencies over the course of the year peaked close to the 5.00 per cent mark in October. In the FX segment, the view of market participants on the monetary policy plans in Washington and Frankfurt seems to have helped the US currency again recently. Compared with the European single currency, the US dollar was almost continuously below the EUR 1.10 per USD mark in December 2023, after this time series had been quite volatile over the course of

the year and was, at its lowest level in October, just below the EUR 1.05 per USD mark. The hope that interest rates will fall in many currency areas seems to have recently helped global equity markets. In December 2023, the 16,700-point mark in the leading German index DAX became the focus of attention. As expected, the EUR/USD basis swap spreads were within fairly narrow ranges.

### **Finance sector**

The outbreak of the Russia-Ukraine war in 2022 had a strong impact on the rise in inflation, which led to a significant tightening of monetary policy by central banks. The significant increase in interest rates, the growing macroeconomic uncertainties and the resulting tightening of lending standards by the banks have all contributed to a slowdown in the demand for credit and thus also in the credit growth of European banks. Despite the overall economic slowdown, the average NPL ratio in the European banking sector is largely stable. However, credit risk has increased since the outbreak of the COVID-19 pandemic, which is reflected in the performance of Stage 2 loans. In 2023, the Commercial Real Estate and Retail segments proved to be comparatively more vulnerable to the current economic and monetary policy conditions. However, their performance was accompanied by the use of management adjustments by the banks.

On the other hand, the higher interest rate level also led to a significant improvement in the net interest margin and thus also profitability. As a result, banks were able to further increase their capital positions, which, together with a moderate increase in risk assets, led to a further improvement in capital ratios. After several US banks defaulted at the beginning of 2023, the liquidity and funding situation of banks has come into greater focus. Corresponding key figures, such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), remain above the regulatory requirements for European banks. Thanks to the monetary policy measures of the central banks, in particular the deduction of excess liquidity, the liquidity ratios remain at a high level despite the aforementioned development.

### **Energy supply and renewable energy**

After recording their most volatile and expensive year in history in 2022 as a result of the Russian war of aggression against Ukraine, signs pointed to an easing on the European gas and electricity markets in 2023.

Compared with the record prices in August 2022, natural gas prices on the TTF reference market fell by an annual average in 2023 of 87 per cent to EUR 40.57/MWh. The German stock market electricity price went in the same direction due to gas as the price setter in the merit order with an annual average in 2023 over the same period of EUR 96.35/MWh (-80 per cent). Despite high volatility, a new, historically more expensive price level emerged for both natural gas and electricity in 2023. Compared with the average price between 2015 and 2020, the new price levels for electricity and gas are approximately 155–175 per cent higher. The risk premiums, some of which were exceptionally high in 2022 due to the risks in the security of supply, failed to materialise in 2023 due to the improved market situation. In the case of electricity, this is mostly due first to the fact that no unforeseen power generation capacity outages occurred and second to the higher level of supply due to the expansion of renewable energies. In the natural gas supply market, German storage facilities were very well stocked at the end of 2023, reaching 91 per cent capacity. Statutory storage requirements were exceeded, making the possibility of a shortfall in the gas supply remote. In Germany, contributing factors included stable gas imports (including via the new LNG infrastructure) and lower gas exports, as well as significant reductions in consumption by industry and households (-17.5 per cent compared with average consumption in the years 2018 to 2021). Due to the new, relatively high level of energy prices, relief measures, especially for the energy-intensive industry sector, were in the political

debate. As a result, an electricity price package was adopted which, among other things, provides for the reduction of electricity tax – initially for 2024 and 2025 – from 1.5 to the EU minimum value of 0.05 cents per kilowatt hour for all companies in the manufacturing industry.

Electricity generation from renewable energies must be significantly expanded, and not just against the backdrop of targeted climate neutrality by 2045. Dependencies such as those of oil and gas can be reduced and electricity prices can be reduced if there is sufficient availability of renewable energy. New promotional programmes should have an international impact. The EU has adopted or is in the process of approving the Net Zero Industry Act, the European Wind Power Action Plan and the recently revised Renewable Energy Directive III (RED III).

In addition to the expansion target, the EU also aims to build a resilient European value chain. In Germany, the extensive measures adopted in 2022 are taking effect and accelerating the expansion of renewables. Accordingly, there were record numbers of tenders in 2023 for onshore wind energy, among other things. The remuneration rates (+25 per cent) raised by the German Federal Network Agency in 2023 paid off. Previously, interest in investing in new plants levelled off as a result of higher interest rates, construction and project costs. Further legislative improvements, such as the announced “PV package” or the implementation of European RED III requirements into German law, are expected to follow in 2024. The expansion of renewables in Germany already showed signs of improvement in 2023. With an expansion of 14.3 GW, photovoltaics not only achieved the legal target of 9 GW, but also recorded a new record year. At 3.6 GW, German onshore wind expansion saw an increase of approx. 50 per cent in 2023 compared with 2022 and an additional 7.5 GW of power was approved (+73 per cent compared with 2022). 2023 was also a successful year internationally. The expansion of 549 GW represented a new peak and showed that progress is being made in the transformation process underway. Global wind power accounted for 103 GW (+18 per cent compared with 2022), to photovoltaics 446 GW (+77 per cent compared with 2022).

### Real estate

In 2023 as a whole, global transaction volumes reduced by 47 per cent year on year to around USD 647.0 billion (2022: USD 1.140 billion). The European commercial transaction volume also fell by 47 per cent compared with 2022 to around € 162.3 billion. In the German investment market, the transaction volume over 2023 as a whole fell to € 28.6 billion, a reduction of 57 per cent compared with the previous year. For the first time, logistics real estate was the most traded asset class with a transaction volume of around € 7.0 billion, followed by residential real estate with a volume of around € 5.7 billion and retail real estate with a volume of around € 5.4 billion. Office real estate ranked just fourth with a volume of € 5.3 billion.

In the German real estate market, peak yields continued their upward trend in all asset classes. The share of international investors in the total transaction volume fell to around 40 per cent (2022: 43 per cent). Investments in the top seven markets dropped by 64 per cent year on year to around € 11.2 billion. According to the Association of German mortgage Banks (vdp), price adjustments continued to progress in the fourth quarter of 2023, with these being lower for residential real estate than for commercial real estate. Residential property prices fell by 6.1 per cent compared with the previous year's quarter. Commercial real estate prices fell by 12.1 per cent during this period. The price decline in office real estate (-13.3 per cent) was higher than in retail real estate (9.0 per cent).

The high construction costs, rising interest rates and political uncertainties had a noticeable impact on the construction economy in 2023, justifying the temporary cyclical end of the expansion of supply and the construction boom in the German real estate markets. For the entire main construction industry, there was a real decline in orders of 4.8 per cent from January to 2023 November compared with the same period last year. The decline in orders was also noticeable in real sales (January to November 2023: 3,2 per

cent). The situation is particularly difficult in the building construction sector and is mainly caused by weak housing construction (real order intake: January to November 2023: 21.2 per cent; real turnover: 10.5 per cent, number of building permits for apartments (new construction and renovation) 25.8 per cent).

### **Aircraft**

International passenger aviation has continued to recover due to strong demand for air travel. According to calculations by the International Air Transport Association (IATA), global passenger volume (RPK, revenue passenger kilometres) increased by 36.9 per cent in 2023 compared with the previous year. The increases were 41.6 per cent for international traffic and 30.4 per cent for domestic traffic. In terms of traffic trends, the Asia Pacific region performed particularly strongly at 96.3 per cent. In doing so, it has overcome much of the setbacks caused by the strict travel restrictions of the past. In contrast, growth was below average in North America (+15.3 per cent), Latin America (+17.0 per cent) and Europe (+20.2 per cent).

The number of cargo tonne-kilometres (CTK) sold fell by 1.9 per cent in 2023 compared with the same period in the previous year.

### **Regulatory requirements**

#### **Regulatory requirements regarding minimum capital**

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

In addition to the statutory minimum capital ratios, the European Central Bank (ECB), as the supervisory authority responsible for NORD/LB, imposes individual minimum capital ratios on NORD/LB at Group level as part of the Supervisory Review and Evaluation Process (SREP). In the reporting period, this requirement applied to the total capital ratio and was 10.5 per cent. This requirement comprises the legal minimum total capital ratio as per the CRR of 8.0 per cent and an additional 2.5 per cent ("Pillar 2 Requirement", or P2R). In addition, as at the reporting date the Bank had to meet a combined capital buffer requirement of around 3.5 per cent, consisting of the statutory capital preservation buffer of 2.5 per cent, an institution-specific anti-cyclical buffer weighted for all lending of around 0.7 per cent, a weighted sectoral systemic capital buffer for financing secured by residential real estate in German of around 0.06 per cent and, because it is a nationally systemically relevant institution, a capital buffer for other systemically important institutions of 0.25 per cent. In total, as at the reporting date there was an individual minimum total capital ratio of around 14.0 per cent.

According to EU Directive 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD), the P2R requirement in the reporting period had to be covered up to at least 56.25 per cent for Common Equity Tier 1 capital. In the case of broader Tier 1 capital, the P2R requirement must be covered by at least 75 per cent. On the other hand, the combined capital buffer requirement must be completely covered by Common Equity Tier 1.

In this respect, as at the reporting date the Bank had to maintain an individual Common Equity Tier 1 ratio of around 9.4 per cent (= statutory minimum ratio according to the CRR of 4.5 per cent + additional re-

quirement of around 1.4 per cent (= 56.25 per cent of 2.5 per cent) + combined capital buffer requirement of around 3.5 per cent).

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

(in per cent)	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%
	<b>5.91%</b>	<b>7.88%</b>	<b>10.50%</b>
Capital conservation buffer (§ 10c KWG)	2.50%	2.50%	2.50%
Countercyclical capital buffer (§ 10d KWG)	0.70%	0.70%	0.70%
Capital buffer for systemic risks (§ 10e KWG)	0.06%	0.06%	0.06%
Capital buffer for otherwise system relevance (§ 10g KWG)	0.25%	0.25%	0.25%
<b>Total requirement</b>	<b>9.42%</b>	<b>11.39%</b>	<b>14.01%</b>

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

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

Furthermore, the responsible EU authorities also specify a minimum "MREL" ratio for NORD/LB at Group level for the resolution of credit institutions and investment firms (SRB). MREL stands for minimum requirement for own funds and eligible liabilities which banks in the EU are obliged under Directive 2014/59/EU on establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) to hold as a buffer for losses and recapitalisation for a potential resolution event. In accordance with BRRD, several different combined MREL minimum sizes must be observed in parallel. Specifically, NORD/LB's SRB stipulated in the reporting period the minimum MREL ratios for the sum of own funds and total MREL-eligible liabilities on the basis of the total risk exposure amount of 20.35 per cent and on the basis of the leverage ratio exposure (LRE) of 7.11 per cent and minimum ratios for the sum of own funds and legally, structurally and/or contractually subordinated liabilities.

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

NORD/LB met the minimum regulatory capital ratios at Group level in the reporting period (for details on the definition and level of the regulatory equity ratios see also the Section on "Regulatory requirements" and Note (65) Regulatory data in the Notes to the consolidated financial statements).

The regulatory equity ratios performed differently in the reporting period: while the Common Equity Tier 1 ratio and the Tier 1 ratio increased slightly, the total capital ratio decreased.

Regulatory capital ratios as at the reporting date (compared with 31 December 2022):

- Common Equity Tier 1 ratio 15.15 per cent (15.07 per cent);
- Tier 1 ratio 15.28% (15.20 per cent);
- Total capital ratio 17.25 per cent (18.54 per cent).

This development of the total capital ratio resulted primarily from the changes to capital and only to a lesser extent from the changes in the total risk amount (RWA).

RWAs rose slightly in the reporting period, whereby lower RWAs from market risks and operational risks were more than offset by higher RWAs from counterparty risks. The increased RWA from counterparty risks was due to both the termination of a securitisation and an overall increase in the market areas due to exposure. RWA optimisations partially compensated for this.

The Bank's capital performed in a structurally different way in the reporting period: Common Equity Tier 1 capital and, in parallel, Tier 1 capital increased from the first half of 2023 primarily due to the inclusion of positive earnings effects. Supplementary capital, on the other hand, declined disproportionately to the increase in Common Equity Tier 1 and core capital, especially as relevant capital instruments were omitted from regulatory inclusion due to the passage of time and early repayment. As a result of this decrease in supplementary capital, own funds also went down.

NORD/LB exceeded the minimum leverage ratio as at the reporting date. The leverage ratio improved slightly in the reporting period from 5.45 per cent as at 31 December 2022 to 5.52 per cent as at the reporting date due to the increase in core capital, which overcompensated for a slight increase in the leverage ratio exposure (LRE).

NORD/LB also solidly complied with all the minimum MREL ratios specified by the SRB as at the reporting date (for details regarding the SRB and the definition and minimum level of the various MREL ratios, see also the section on "Regulatory requirements").

The various MREL ratios moved in different directions during the reporting period, which was mainly determined by the performance of the Bank's capital as well as processes and/or new acquisitions of liabilities eligible for inclusion in the individual ratios.

MREL ratios as at the reporting date (compared with 31 December 2022):

- MREL ratio based on RWA: 45.06 per cent (44.85 per cent);
- MREL rate based on the LRE: 16.28 per cent (16.09 per cent);
- Subordinated MREL ratio based on RWA: 40.40 per cent (42.53 per cent);
- Subordinated MREL rate based on the LRE: 14.59 per cent (15.26 per cent).

### ***Current regulatory developments***

The ECB has announced that it will increase the P2R requirement by 0.25 per cent with effect from 2024. In addition, with effect from 2024, the SRB will specify the following amended minimum MREL quotas: For the sum of own funds and total MREL-eligible liabilities on the basis of the total risk exposure amount of 20.77 per cent and on the basis of the LRE of 7.95 per cent and for the sum of own funds and legally, structurally and/or contractually subordinated liabilities on the basis of the total risk amount of 19.33 per cent and on the basis of the LRE of 7.95 per cent. NORD/LB has taken the growing minimum capital requirements and changing MREL minimum ratios into account in its planning and management processes.

In the reporting period, the European Banking Authority (EBA) carried out at all major European credit institutions a formal analysis of the instruments of Common Equity Tier 1 capital for compliance with the CRR. The subject of this investigation was also NORD/LB's share capital. In response to this, the Bank has made adjustments and additions to its corporate governance in consultation with the banking supervisory authority.

## Business Performance and Significant Events in the Financial Year

### Business performance

NORD/LB can look back on a comparatively very successful financial year, in which earnings were significantly increased despite the overall economic environment, which continues to be very challenging. A significant volume of new business was achieved, revenues were increased and administrative expenses were kept stable against inflation, whilst continuing the initiatives of the transformation programme at the same time. A number of factors have influenced and hindered economic activity. These include the geopolitical uncertainties in Europe with the continuation of the war in Ukraine as well as other conflicts, wars and tensions outside Europe, supply bottlenecks, rising energy prices and declining yet persistently high inflation, strikes as well as an overall rising but also volatile interest rate level. Whilst the various conflicts have not had any direct effect on NORD/LB's portfolio, NORD/LB has at the same time reacted cautiously to the economic and interest rate environment and created risk provisions, in particular in the real estate and corporate customers segments. The portfolio of defaulted financing has increased compared with the previous year, but is still at a low level. NORD/LB has countered future uncertainties by creating a management adjustment (MA) of € 289 million as at 31 December 2023.

With regard to risk provisioning, it has been shown during the year that the uncertainties arising from the war in Ukraine, for which a management adjustment (MAU) was made in the 2022 financial statements, are not being reflected in increased risk provisions. This was followed by a further development of the management adjustment in accordance with the applicable legal requirements for shielding the effects from general environmental and market uncertainties. A management adjustment (MA) was made due to the continued difficult economic situation resulting from pressures and adjustment requirements in other parts of the European industry (including the production of energy-intensive industries), current weaknesses in global trade due to still high inflation, a tougher energy procurement situation and a very steep rise in interest rates. Detailed information can be found in Note (2) Management adjustment of the Notes to the consolidated financial statements.

The significant rise in inflation rates led in the past year to significant increases in key interest rates in the currency areas relevant to NORD/LB and to a further sharp rise in the general market interest rates. While short-term interest rates in particular continued to rise over the course of the year, the increase in longer-term interest rates stagnated and recently declined. The effects of the fluctuations in yields can also be seen in NORD/LB's income statement. On the one hand, the increased interest rate level has a favourable effect on net interest income from financial assets and liabilities measured at amortised cost and on margins in the deposit business. On the other hand, the amortisation amounts from hedge accounting have a negative impact on the interest result, but are less negative than in the previous year. Charges were also booked to the Bank's fair value result as a result of measurement effects. Detailed explanations of NORD/LB's earnings performance can be found in the description of the earnings position.

Despite the challenging market environment, NORD/LB was able to confirm and somewhat extend its position in its core segments of Corporate Customers, Energy and Infrastructure Customers and Real Estate Customers (Deutsche Hypo). This was particularly evident in the positive performance of operating interest income and commission income.

NORD/LB also benefited from the merger of LBS NORD, in which NORD/LB was involved, and LBS West as of 1 September 2023. This resulted in a high positive contribution to other operating profit/loss. Additionally the merger resulted in an increase from the risk weighting of the carrying amount of LBS NordWest of around +€ 342 million RWA arising after the merger. The first valuation of the merged institute as at 31 December 2023 resulted in further write-ups. The changed values after the merger are now reported under the item profit/loss from shares in companies (previously: at-equity result).

In addition to the overall increase in income, administrative expenses remained at the previous year's level, which caused the cost-income ratio to improve significantly in the past financial year. For other notes, please refer to the income statement.

### **NORD/LB 2024 transformation programme**

At the end of 2019, NORD/LB agreed the basic principles of a new business model with its owners, the Sparkassen Finance Group (SFG) and the banking supervisory authorities. The "NORD/LB 2024" transformation programme was set up at the start of 2020 in order to implement the related targets. Its objective is to implement all planned income and cost measures. The transformation programme will end at the end of 2024. The process was supported by various measures for employees through the #creatingthefuture change project.

NORD/LB made progress in implementing the measures in the 2023 reporting year. Income and cost measures will continue to be closely monitored until the end of the programme. The following key milestones were achieved in 2023:

- Finalisation/implementation of the staff reduction measures by the end of 2023, as a result of which the number of employees in the NORD/LB Group has decreased significantly.
- The transfer agreement to separate Investitionsbank Sachsen-Anhalt from NORD/LB in 2023 was signed in December 2022. The divestment was completed on 1 March 2023.
- The transfer of operations from KreditServices Nord GmbH (KSN) to IBM was implemented on 1 November 2022. In 2023, the focus was on the transition and stabilisation of service levels.
- Ongoing assurance of profit and cost value contributions

The new solution scenario ("fit – future investment in technology and transformation" programme) for the launch of a new bank steering system was approved for the first phase by the Supervisory Board and Owners' Meeting on 18 September 2023. The new target architecture and regulatory change requirements will be implemented in a total of three phases. Phase I of the programme started at the beginning of October 2023 and is scheduled for mid-2026. The first milestones of phase I, which include the establishment of the programme and team, the finalisation of the integrated overall plan, the identification of all requirements and the creation of the test framework concept, have already been completed according to plan. There were additional expenses for restructuring and reorganisation in the reporting year as a result of the transformation programme. Please refer to the information in the section on the earnings situation.

### **ESG (environment, social, governance) / sustainability**

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

In line with the Paris Agreement, the European Union (EU) has set itself the goal of becoming the first climate-neutral continent by 2050. In order to achieve this objective, the EU considers it necessary to direct capital flows towards sustainable investments. The financial industry has therefore been given a key role

in the transformation of the economy. With the adoption of various regulatory requirements relating to sustainability, such as the EU Taxonomy Regulation, in addition to the supplementary specific Delegated Act on Taxonomy, the EU is successively introducing quantitative and qualitative reporting on the sustainability of the balance sheet assets of credit institutions.

NORD/LB completed the CARE sustainability project in the reporting year according to plan. NORD/LB started the project in 2021 with the aim of implementing both regulatory requirements and its own objectives for the further strategic integration of ESG (environment, social, governance) and sustainability in the Bank. In the 2023 financial year, the CARE project focused primarily on continuing the activities for measurability and future reduction of CO<sub>2</sub> emissions in the NORD/LB Group's financing portfolio. In addition, an ESG-specific governance model was established, internal sustainability management reporting was introduced into the Bank's processes and a comprehensive ESG strategy was formulated and adopted by the Bank's management bodies. Looking at the Bank's credit processes, a specific ESG scoring tool and a process for the EU Taxonomy classification of new business were introduced. Both methods aim to strengthen the risk identification process in relation to climate and environmental risks. The project objectives set in accordance with the project order were fully achieved. Subsequent work relating to the specification of requirements by the supervisory authority during 2023 will be carried out as part of the BLUE project. Due to the rapidly developing market/competitive and regulatory environment, new, ESG-specific requirements for the NORD/LB Group emerged during 2023 (e.g. implementation of the Corporate Sustainability Reporting Directive (CSRD)). These are also to be included as part of the BLUE project and developed for transfer to the NORD/LB line organisation.

NORD/LB reports on developments in ESG and sustainability issues at the Bank as part of the combined separate non-financial report and the sustainability report. The summarised separate non-financial report also presents the key figures, which are now already mandatory, based on the EU Taxonomy Act. Both the combined separate non-financial report and the sustainability report are published on the homepage at <https://www.nordlb.de/die-nordlb/investor-relations/berichte/2023>.

In addition, the consideration of ESG risks is also becoming increasingly important. These are climate/environmental, social and governance events or conditions that may occur or have a potentially significant negative impact on the Bank's net assets, financial position, results of operations and reputation. The Bank has initiated different measures to take these risks into account in internal risk management. Please refer to the corresponding section in the extended risk report of this management report.

### **Guarantees of the State of Lower Saxony**

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

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

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

In the reporting period, NORD/LB reported very positive earnings after taxes (profit for the year) both at Group level in accordance with IFRS and at individual institution level in accordance with HGB. At the same time, there was a significant net accumulated loss in accordance with HGB resulting from loss carryforwards from previous periods as at the reporting date. After offsetting these two variables, there was still a net accumulated loss in accordance with HGB at the reporting date. This has an impact on the servicing of existing capital instruments in NORD/LB, which are permanently eligible as Additional Tier 1 capital (AT1 capital) in accordance with the CRR. For these, servicing is omitted from the 2023 result due to contractually insufficient available distributable items (ADI), which are mainly driven by the net accumulated loss in accordance with HGB.

There were no effects on the servicing of other capital instruments in the reporting period, as NORD/LB repaid all silent contributions still existing up to 31 December 2022 in the reporting period. These included the silent participations of three special purpose vehicles ("Fürstenberg Capital Erste to Dritte GmbH"), which each had refinanced the silent participations at NORD/LB through the issue of structure-congruent bonds (capital notes).

### **External ratings**

#### *Moody's Investors Service*

On 24 March 2023, Moody's confirmed NORD/LB's long-term rating of "A3" and increased the outlook from "stable" to "positive". The long-term rating reflects its membership of the Savings Banks Finance Group's bank-related security system as well as the assumed state support for this finance group, classified as systemically important. The baseline credit assessment (BCA) of "ba3" remained unchanged. The positive outlook results from NORD/LB's improved credit risk profile.

On 15 March 2024, Moody's raised NORD/LB's standalone rating by one level from ba3 to ba2 due to the bank's increased resilience, which is particularly reflected in the quality of assets, capitalization ratios and profitability. Moody's also refers to the improved result before the bank's risk provisions. Due to the increased mutual liability within the Sparkassen Finance Group, the long-term rating was also upgraded by additional four notches (including one notch due to the standalone rating) to Aa2.

#### *Fitch*

In the rating report of 23 November 2023, Fitch confirmed NORD/LB's long-term rating of "A-" and the viability rating of "bb". The rating outlook remains "stable". NORD/LB's long-term rating of "A+" is linked to the long-term rating of the Savings Banks Finance Group (SFG) with a two-level gap. The viability rating is determined by the restructuring measures, the satisfactory credit risk profile, the appropriate capitalisation and access to surplus liquidity of the savings bank organisation.

On 2 February 2024, Fitch further increased NORD/LB's viability rating to bb+ due to the Bank's improved performance, profitable new business and sustainable growth. Other ratings and the outlook remained unchanged.

#### *DBRS Morningstar*

On 1 December 2023, DBRS Morningstar confirmed NORD/LB's long-term rating of "A (high)" and the outlook as "stable". NORD/LB's long-term rating is linked to the long-term rating of the Savings Banks Finance Group (SFG). At the same time, DBRS Morningstar has increased NORD/LB's intrinsic assessment by one

level from "BBB (low)" to "BBB". DBRS Morningstar cited as reasons the significant progress in restructuring, the return to (albeit still manageable) profitability, the significant risk reduction since the recapitalisation in 2019, the further strengthening of the supervisory capital ratios and the maintenance of customer business throughout the entire restructuring phase.

## 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 2022 or as at 31 December 2022 are shown in brackets.

### Earnings position

The NORD/LB Group reported **earnings before taxes** of € 271 million for the reporting period and therefore significantly above the previous year's level of € 104 million.

In the 2023 reporting year, NORD/LB's earnings position was affected in particular by an increase in net interest and commission income. Positive developments were also seen in profit/loss from shares in companies and other operating profit/loss. In the operating business, only risk provisions and the at-equity result declined significantly compared with the same period last year.

The income statement figures can be summarised as follows:

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)	Change (in %)
Net interest income	1 076	896	20
Net commission income	209	166	26
Profit/loss from fair value measurement	- 105	- 104	1
Risk provisioning	- 99	142	> 100
Disposal Profit/loss from financial instruments not measured at fair value through profit or loss	14	- 33	> 100
Profit/loss from hedge accounting	19	20	- 3
Profit/loss from shares in companies	94	7	> 100
Profit/loss from investments accounted for using the equity method	4	34	- 88
Administrative expenses	- 908	- 909	- 0
Other operating profit/loss	18	- 48	> 100
<b>Earnings before reorganisation, restructuring and taxes</b>	<b>322</b>	<b>171</b>	<b>88</b>
Profit/loss from restructuring and transformation	- 52	- 67	- 23
<b>Earnings before taxes</b>	<b>271</b>	<b>104</b>	<b>&gt; 100</b>
Income taxes	- 47	- 15	> 100
<b>Consolidated profit/loss</b>	<b>224</b>	<b>89</b>	<b>&gt; 100</b>

The increase in **net interest income** by € 180 million to € 1,076 million (€ 896 million) is primarily attributable to the increase of € 299 million in financial assets and liabilities measured at amortised cost as a result of the sharp increase in interest rates in the short-term range of the interest rate curve. The active interest rate contribution is slightly below target, including due to higher margin pressure, decline in demand for private real estate transactions and deviations due to the yield curves as part of the financial market business. On the other hand, the passive interest rate contribution is clearly above target, which resulted in particular from positive margin effects in the deposit business.

The interest rate development described led to an increase in income from the amortisation of hedge accounting derivatives of € 225 million. This was partially offset by a decline of -€ 116 Mio from the amortisation of separate line items (SLI) for the underlying assets and liabilities allocated to portfolio fair value hedge accounting (PFVH). This was due to the significant increase in interest rates compared with the previous year. Interest income from trading derivatives also fell, dropping from € -248 million to € -255 million (€ -7 million). This is due to the receiver swap surplus at NORD/LB. The significant rise in interest rates in 2022, and further rising interest rates in short-term maturity bands in 2023, caused by higher interest rates in new business as well as higher fixings in existing business, led overall to an interest ex-

pense. The increased interest rate level was thus reflected primarily on the variable payer side of the swaps and thus offset the increased income from the fixed receiver legs.

At € -105 million, **profit/loss from fair value measurement** was almost the same as the previous year (€ -104 million). Trading income in the interest-bearing securities and receivables segment increased by € 986 million from -€ 747 million to € 239 million. Trading income from interest rate derivatives remained negative at -€ 7 million (€ 381 million) and was mainly affected by the valuation loss from fixed-income futures due to the increased price level of the underlying securities. The positive valuation result from interest rate swaps and swaptions offset this. Income from financial assets at fair value through profit and loss of € 14 million (€ -58 million) performed much better compared with the previous year's period, whereas income from financial instruments designated at fair value through profit and loss of -€ 272 million (€ 1,050 million) posted a negative performance in the reporting year. This development was mainly due to the lower interest rate level in the medium-term maturity bands. Negative measurement effects of € -56 million (€ -38 million) were recognised in connection with the guarantees of the State of Lower Saxony. The foreign exchange result of € 12 million (€ 19 million) was mainly influenced by exchange rate fluctuations and changes in inventories. Furthermore, the sales margins from securities and interest rate and currency derivatives fell to € 50 million (€ 94 million).

**Risk provisions** of € -99 million fell by € 241 million compared with the previous year (€ 142 million), which was due in particular to expenses for risk provision Stage 3 of -€ 99 million. In addition, the previous year's result was positively influenced by the reversal of part of the management adjustment related to COVID-19 in the amount of € 103 million. The Management Adjustment Ukraine (MAU) of € 259 million formed in the previous year to adequately take into account existing uncertainties as a result of the Ukraine war was further developed as at 31 December 2023 into a broader management adjustment (MA), taking into account the continuing challenging macroeconomic environment, and was increased by € 30 million to € 289 million. In addition, the result was impacted by the expenses from the terminated Northvest II transaction in the amount of € 15 million. Furthermore, the creation of collective provisioning in the area of commercial real estate financing led to an expense of € 12 million. In addition, there was an increase in direct depreciation to € 33 million (€ 24 million). The higher income from recoveries on receivables written off of € 50 million (€ 42 million) offset this.

The **disposal profit/loss from financial Instruments not measured at fair value through profit or loss** of € 14 million (€ -33 million) in the reporting year is mainly made up of the repurchase of securitised liabilities measured at amortised cost of € 17 million (€ 6 million), the result from the disposal of receivables measured at amortised cost of € 8 million (€ -1 million) and expenses from the disposal of debt securities at fair value through other comprehensive income in the amount of € -15 million (€ -10 million).

Of the € 19 million (€ 20 million) **profit/loss from hedge accounting**, € 17 million was attributable to the result from micro hedge relationships and € 2 million to the result from the fair value hedges portfolio. It is largely characterised by multi-curve effects, which map the change in the different valuation curves (basic risks) relative to each other.

**Profit/loss from shares in companies** improved significantly at € 94 million, well above the previous year's figure (€ 7 million). The positive development is attributable to a higher valuation of LBS NordWest resulting from the merger of LBS Nord and LBS West and held as other participations, as well as valuation increases in another investment.

**Profit/loss from investments accounted for using the equity method** fell by € 30 million to € 4 million (€ 34 million). This was mainly due to a write-up of an investment in the previous year, which had a positive impact on the result.

At € -908 million, **administrative expenses** remained almost at the level of the previous year (€ -909 million). The -€ 20 million decrease in depreciation was offset by a € 17 million increase in other administrative expenses. This mainly includes the IT costs reduced by € -26 million, which are overcompensated by €9 million higher building costs, € 12 million higher consulting costs and € 18 million higher third-party service costs.

The increase in **other operating profit/loss** by € 66 million to € 18 million (€ -48 million) is mainly due to gain from the merger between LBS Nord and LBS West with a contribution to profit of € 109 million. This was offset by the creation of a provision for recourse risks in excess of € 17 million (€ 0 million) and € 12 million less income from the reversal of other provisions in the amount of € 4 million (€ 16 million). Whereas contributions to the deposit guarantee fund increased by € 17 million (€ 34 million (€ 17 million)), they were almost offset by expenses for the bank levy, which fell by € 18 million (€ 41 million (€ 59 million)).

At € -52 million (€ -67 million), **profit/loss from restructuring and transformation** was € 15 million better than in the previous year. Income from the reversal of a restructuring provision of € 10 million and lower restructuring expenses due to the elimination of a special effect last year of € 5 million had a positive effect.

**Tax expenditure** of € 47 million (€ 15 million) resulted mainly from the Bank's current tax burden in Germany and from income taxes of foreign Group entities due to correspondingly positive results before tax.

The **cost-income ratio (CIR)** of 73.5 per cent improved significantly compared with the previous year (97.6 per cent) as a result of higher income from operating activities with constant administrative expenses.

At 4.0 per cent, the **return on equity (RoE)** was well above the previous year's level (1.5 per cent), due to significantly improved positive earnings before taxes.

#### Forecast comparison of financial performance indicators

The following table compares last year's forecast for the 2023 reporting year with the actual performance in the most significant financial performance indicators.

	Planned amount for 2023	1 Jan. - 31. Dec.2023	1 Jan. - 31. Dec.2022
Earnings before taxes (in million)	earnings before taxes significantly higher	271	104
Cost-Income-Ratio (CIR)	to improve significantly	73.5%	97.6%
Return-on-Equity (RoE)	to increase slightly	4.00%	1.50%

At € 271 million, earnings before taxes were significantly better than forecast. This was mainly due to interest income being significantly above target, administrative expenses being significantly better than expected and better profit/loss from restructuring and transformation, as well as positive special effects from the valuation of investments and the LBS merger. The fair value result, which was well below target, was thus easily offset. For further information, please refer to the income statement.

Against the backdrop of a significantly better earnings before taxes, at 73.5 per cent, the CIR also performed, as expected, significantly better than in the previous year. Contrary to expectations, RoE also rose as a result of the significant increase in earnings compared with the 2022 financial year.

## Assets and financial position

### Balance Sheet

**Total assets** went up by € 2,656 million to € 111,981 million, which was due in particular to new business with customers.

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Trading assets	7 442	7 641	- 3
Financial assets mandatorily at fair value through profit or loss	604	722	- 16
Financial assets at fair value through other comprehensive income	10 708	10 633	1
Financial assets at amortised costs	87 697	86 033	2
Shares in companies	574	344	67
Investments accounted for using the equity method	57	56	2
Other assets	4 898	3 896	26
<b>Total assets</b>	<b>111 981</b>	<b>109 325</b>	<b>2</b>
Trading liabilities	2 333	3 289	- 29
Financial liabilities designated at fair value through profit or loss	4 139	4 481	- 8
Financial liabilities at amortised costs	96 125	93 342	3
Provisions	2 641	2 433	9
Other liabilities	- 122	- 520	- 77
Equity	6 865	6 300	9
<b>Total liabilities</b>	<b>111 981</b>	<b>109 325</b>	<b>2</b>

### Assets

At € 87,697 million (€ 86,033 million), **financial assets at amortised cost** was the largest balance sheet item on the assets side by amount. The principal parts of the traditional credit and lending business are reported in this category. The increase of € 1,664 million is related to new business, primarily in the wholesale areas.

**Trading assets** of € 7,442 million (€ 7,641 million) fell slightly by € -199 million. At € 2,383 million (€ 3,012 million), they included derivative financial instruments, the decline of which was due in particular to the decrease of € -377 million in positive fair values of interest rate derivatives. This change is due to a risk-neutral reduction in contrary derivative positions carried out in the second half of the year as well as the lower interest rate level on the medium-term maturity bands compared with the end of the previous year. In addition, positive fair values from currency derivatives also fell by € -203 million due to effects related to currencies and the basis spread. The decline in receivables held for trading of € -135 million also had a reducing effect on the holdings. This was also offset by the increase in debt securities and receivables held for trading of € 566 million due to the growth in the portfolio, particularly in the area of bearer securities.

**Financial assets mandatorily at fair value through profit and loss** primarily comprised debt securities and receivables. The change in portfolio from € 722 million to € 604 million was mainly due to maturing securities in the amount of € -82 million (nominal). Receivables also decreased by € -51 million to € 202 million.

**Financial assets at fair value through other comprehensive income** in the amount of € 10,708 million (€ 10,633 million) included securities of € 10,308 million (€ 10,192 million) that are used for short and medium-term liquidity management or that are not generally intended to be held. Valuation effects led significantly to the increase of € 116 million and are due in particular to changes in market value resulting from the inverse interest rate curve and the slight fall in interest rates in the medium term. In addition,

there was a fall in receivables of € -40 million to € 401 million (€ 441 million), mainly due to a portfolio reduction in promissory notes and promissory note loans.

The € 230 million increase in **shares in companies** to € 574 million (€ 344 million) was mainly due to measurement effects and the valuation of another investment.

At € 4,898 million (€ 3,896 million), **other assets** comprised the cash reserve, hedge accounting asset balances, property and equipment, investment property, intangible assets, income tax assets and other assets. The increase in other assets resulted primarily from the rise in the cash reserve as at the reporting date.

### **Liabilities**

At € 96,125 million (€ 93,342 million), **financial liabilities at amortised cost** was the largest category on the liabilities side by amount. It consisted of deposits in the amount of € 74,239 million (€ 73,919 million) and securitised liabilities in the amount of € 21,886 million (€ 19,423 million). The increase resulted from the rise in securitised liabilities by € 2,463 million, in particular due to significantly higher new issues compared with total maturities and an increase in deposits of € 320 million.

**Trading liabilities** of € 2,333 million (€ 3,289 million) mainly included derivative financial instruments with negative fair values of € 2,319 million (€ 3,269 million). The change in this position was due in particular to the decline in negative fair values from interest rate swaps of € -886 million due to a risk-neutral reduction in opposing derivative positions carried out in the second half of the year as well as lower interest rate levels on the medium-term maturity bands compared with the previous year-end. Fair values of currency derivatives were also down in the amount of € -68 million due to exchange rate fluctuations and changes in basis spreads.

For **Financial liabilities designated at fair value through profit or loss**, the NORD/LB Group uses the fair value option to reduce or avoid accounting mismatches. The change in the portfolio of -€ 342 million was mainly due to repayments overcompensating for new issues in the reporting year. As a result, the nominal amount of own issues reduced by -€ 470 million.

The total amount of **provisions** rose year on year by € 208 million to € 2,641 million. This was due to an increase in provisions for pensions and state aid obligations of € 2,091 million (€ 1,883 million) due to the lower actuarial interest rate of 4.25 per cent as at 31 December 2022 to 3.60 per cent as at 31 December 2023. The decline in personnel provisions by € -18 million to € 33 million (€ 51 million) and the reduction by € -9 million to € 356 million (€ 365 million) in the portfolio of restructuring provisions formed as part of the transformation process compensated for this.

The decline in **other liabilities** was almost entirely due to the lower adjustment items for portfolio fair value hedges. This balance sheet item shows the required fair value adjustments of the net risk position of the allocated liabilities for the underlying transactions in the portfolio fair value hedge on the liabilities side, which may not be offset against the adjustment item for portfolio fair value hedges for the underlying transactions on the assets side. Due to the sharp rise in interest rates in 2022 and the persistently high interest rate level in the reporting year, the valuation of the designated underlying transactions as part of PFVH accounting led to a positive balance of these separate line items on the liabilities side.

**Balance sheet equity** increased to € 6,865 million (€ 6,300 million). This development was caused by the positive overall result for the period (OCI) in the amount of € 543 million. This mainly resulted from changes in the fair value of financial instruments. A slight decrease was due to the revaluation of pension and benefit obligations, as the discount rate used to calculate pension obligations fell (31 December 2022:

4.25 per cent; 31 December 2023: 3.60 per cent). Please refer in this regard to the statement of changes in equity in the consolidated financial statements.

The total **contingent liabilities and other liabilities** fell by € 865 million to € 15,290 million (€ 16,155 million) as at the reporting date, in particular due to a decline in loan commitments.

### Liquid assets

NORD/LB's liquidity situation proved to be sufficient throughout the 2023 reporting year. In 2023, the internal liquidity stress scenario relevant for management purposes was managed for NORD/LB entirely in the green phase, both at Group level and in AöR, and also indicated a satisfactory liquidity situation as at the reporting date.

As at 31 December 2023, the liquidity coverage ratio (LCR) was 165.4 per cent (138.6 per cent).

Detailed descriptions and explanations of liquidity risk management, liquidity procedures and the change in the liquidity risk over the past financial year can be found in the extended risk report.

### Performance of business segments

NORD/LB's business model and its business segments reflect its functions as a parent company, Landesbank, leading bank of savings banks and commercial bank. The following shows how the business segments contributed € 271 million (€ 104 million) to the consolidated earnings before taxes. The presentation is based on NORD/LB's segment reporting, which is part of the Notes.

1 Jan. - 31 Dec. 2023	Private and Commercial Customers	Corporate Customers and Savings Bank Network <sup>2)</sup>	Markets	Special Finance	Commercial Real Estate	Special Credit & Valuation	Treasury / Consolidation / Others	Reconciliations	NORD/LB Group
(in € million)									
<b>Earnings before taxes</b>	<b>61</b>	<b>227</b>	<b>19</b>	<b>168</b>	<b>6</b>	<b>23</b>	<b>- 188</b>	<b>- 45</b>	<b>271</b>
CIR	81.8%	41.5%	80.6%	56.0%	39.1%	-430.0%			73.5%
RoRaC/RoE <sup>1)</sup>	10.8%	13.4%	4.1%	13.6%	0.5%	27.2%			4.0%

1 Jan. - 31 Dec. 2022	Private and Commercial Customers	Corporate Customers and Savings Bank Network <sup>2)</sup>	Markets	Special Finance	Commercial Real Estate	Special Credit & Valuation	Treasury / Consolidation / Others	Reconciliations	NORD/LB Group
(in € million)									
<b>Earnings before taxes</b>	<b>- 71</b>	<b>187</b>	<b>42</b>	<b>385</b>	<b>146</b>	<b>- 14</b>	<b>- 456</b>	<b>- 114</b>	<b>104</b>
CIR	113.2%	36.7%	75.3%	44.9%	37.7%	-191.1%			97.6%
RoRaC/RoE <sup>1)</sup>	-13.0%	12.1%	9.2%	36.2%	15.8%	-9.5%			1.5%

<sup>1)</sup> At business segment level RoRaC (earnings before taxes/committed capital), at Group level RoE (earnings before taxes/long-term equity under commercial law). For further information, please refer to the segment reporting in the Notes to the consolidated financial statements.

<sup>2)</sup> In the reporting year, the "Savings Bank Network" sub-segment was reclassified from the "Private and Commercial Customers" segment to the "Corporate Customers" segment. The previous year's figures were adjusted accordingly.

### Private and Commercial Customers business segment

The business segment comprises the Braunschweigische Landessparkasse (BLSK) sub-segments as well as private investors with the locations in Hanover, Hamburg and Oldenburg. It also includes a holding in the public insurance company Braunschweig.

At € 61 million (€ -71 million), earnings before taxes were well above the previous year's level. Much higher profit contributions were achieved in 2023, particularly in the passive interest result, as a result of the ECB's interest rate reversal, which began in mid-2022. As administrative expenses remained at a stable level and risk provisions included reversals of € 6 million instead of the formation of management adjustments in the previous year (€ -29 million in 2022), positive earnings before taxes were recognised. The

increase in earnings resulted in a much improved CIR in the segment of 81.8 per cent (previous year: 113.2 per cent).

The RoRaC improved significantly year on year to 10.8 per cent (-13.0 per cent) due to the reported earnings within the business segment. Both the RoRaC and the CIR were significantly above last year's forecast due in particular to the strong earnings performance in the liabilities business.

#### ***Corporate Customers & Savings Bank Network business segment***

The Corporate Customers and Savings Banks Network business segment comprises NORD/LB's medium-sized and upper mid-market corporate customer business, its business with savings banks in the network and extended network area and the municipal business. The corporate customer business operates throughout Germany and in close cooperation and coordination with the savings banks in the network area with the aim of being the core bank for the majority of customers.

At € 227 million (€ 187 million), earnings before taxes were above the previous year's level. Noticeably higher income and significantly lower risk provisions overcompensated the higher administrative expenses. Net interest income was markedly higher than in 2022 as a result of significantly higher income from the deposit business due to interest rates. In addition, net commission income was higher than in the previous year due to higher processing commissions. In contrast, the result from the FV valuation developed due to negative xVA effects from customer derivatives in 2023. The increased administrative expenses result from higher internal cost allocation. Risk provisions in 2023 are significantly below the level of the previous year, which was affected by the formation of the Ukraine management adjustment.

Compared with the previous year, the CIR increased to 41.5 per cent (36.7 per cent) as a result of higher administrative expenses. The RoRaC rose to 13.4 per cent (12.1 per cent) compared with the previous year due to improved earnings before taxes. Both key figure developments were in line with expectations from last year's annual report.

#### ***Markets business segment***

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

At € 19 million (€ 42 million), earnings before taxes were significantly below the previous year's level. This is due in particular to negative special effects in the context of the creation of risk provisions as well as valuation effects (CDS tranche). Higher operating profit contributions from interest rate derivatives and greater success in selling funding products (own retail issues) were offset by lower income with institutional customers from the bond business (decline in demand for long-term liquid funds).

The significantly lower profit contributions led to a deterioration in the CIR to 80.6 per cent (75.3 per cent). The RoRaC fell to 4.1 per cent (9.2 per cent) compared with the previous year due to the earnings performance presented and was therefore significantly below last year's forecast of a slight increase. In addition to special effects, however, the result is based on an interest rate structure that has changed significantly compared with the forecast.

#### ***Special Finance business segment***

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

At € 168 million (€ 385 million), earnings before taxes were significantly below the previous year's level.

In the Energy and Infrastructure Customers sub-segment, this is based in particular on unplanned valuation discounts from derivatives and loans in the trading result, which were largely offset by a good performance in new business with a corresponding rise in interest and commission income as well as increased administrative expenses due to a greater internal allocation of services. In the Aviation Finance & Investment Solutions sub-segment, lower reversals from risk provisions (2022 reversal of the COVID-19 management adjustment) and negative effects from the valuation of the national guarantee resulted in significantly lower earnings before taxes compared with the previous year.

The CIR rose to 56.0 per cent (44.9 per cent) due in particular to the decrease in income owing to negative valuation effects with slightly increased administrative expenses compared with the previous year. This is in line with expectations from last year's annual report.

The RoRaC fell significantly compared with the previous year to 13.6 per cent (36.2 per cent) due to the amount of reported earnings within the business segment that had not been planned for. Due to the extremely positive year in 2022, a single-digit percentage range of the RoRaC was forecast for 2023, which could be moderately exceeded.

#### ***Commercial Real Estate business segment***

With its market-established Deutsche Hypothekbank brand, NORD/LB understands real estate financing to be financing independent of collateralisation for customers who generate their cash flow primarily from real estate and who regularly make significant real estate investments.

At € 6 million (€ 146 million), earnings before taxes were significantly below the previous year's level. The performance was determined by credit defaults in the area of project development, which had a negative impact on risk provisions and the valuation result. Apart from that, an additional management adjustment was also formed. The clearly positive development of interest income only marginally levelled out the direct and indirect effects of the changed market environment.

The moderate increase in administrative expenses due to changes in the internal allocation of benefits was only partially offset by the increase in income in interest income, which meant the CIR was slightly above the previous year's level at 39.1 per cent (37.7 per cent). Last year's annual report forecasted a greater increase in CIR.

The RoRaC fell to 0.5 per cent (15.8 per cent), heavily impacted by the earnings performance described. Although a significant decline in the RoRaC was expected in last year's forecast, the development of risk provisions in this form in particular was not expected.

#### ***Special Credit & Valuation business segment***

In accordance with NORD/LB's strategic realignment, the Special Credit & Valuation (SCV, formerly SCPO) business segment focuses on the reduction of non-strategic portfolios.

At € 23 million (€ -14 million), earnings before taxes were significantly above the previous year's level. This was based in particular on a less negative profit/loss from fair value measurement due to the valuation of the guarantees of the State of Lower Saxony and higher disposal gains from the NPL portfolio. In addition, administrative expenses are significantly below the previous year due to lower internal cost allocations and personnel expenses.

The CIR changed significantly to -430.0 per cent (-191.1 per cent), in particular due to lower administrative costs and improved income. The RoRaC rose significantly compared with the previous year to 27.2 per

cent (-9.5 per cent) due to the positive earnings trends reported and a decrease in tied-up capital due to the ongoing reduction in portfolios. This means that the expected deterioration has not occurred.

#### ***Treasury / Consolidation / Others business segment***

This business segment covers all other performance indicators directly related to business activity and includes, among other things, the Treasury division.

At € -188 million (€ -456 million), earnings before taxes were significantly above the previous year's level, resulting mainly from profit/loss from fair value measurement of €-109 million (€-195 million), which was still affected by the volatile market and interest rate environment. The improvement compared with the previous year was mainly due to positive effects in assets mandatorily measured at fair value in the amount of €9 million (€ -68 million). In addition, a less negative disposal result of € 15 million (€ -33 million) and an increase in other operating profit/loss of € 35 million (€ -22 million) also increased earnings. In addition, an improved profit/loss from restructuring and transformation of € -52 million (€ -67 million) and, due to lower depreciation, an administrative expense reduced by € 24 million (€ -88 million) had a positive affect on earnings before tax in the Treasury / Consolidation / Other segment.

#### ***Reconciliations***

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

At € -45 million (€ -114 million), earnings before tax are significantly above the previous year's level and could be further reduced. This was based on a reduction in the negative reconciliation effects in net interest income, net commission income and other operating profit/loss. The result from the FV valuation at € -30 million (€ -11 million) and risk provisions of € -5 million (€ 3 million), which is attributable to higher risk provisioning in connection with the management adjustment, had an adverse effect.

## Overall Assessment

NORD/LB can look back on a positive business performance in 2023. Despite the continued very challenging macroeconomic environment, the Bank reported a significant increase in profit before tax for the financial year of € 271 million. A significant volume of new business was achieved, earnings were increased and administrative expenses were kept stable despite inflation, whilst at the same time continuing the initiatives of the transformation programme. A number of factors have influenced and hindered economic action. These include the geopolitical uncertainties in Europe with the continuation of the war in Ukraine as well as other conflicts, wars and tensions outside Europe, supply bottlenecks, rising energy prices and declining yet persistently high inflation, strikes as well as an overall rising and also volatile interest rate level. However, there are no direct effects of the various conflicts on NORD/LB's portfolio. At the same time, NORD/LB has reacted cautiously to the economic and interest rate environment and created risk provisions, in particular in the Real Estate and Corporate Customers & Savings Banks Network business segments. The portfolio of defaulted financing has indeed increased compared with the previous year, but is still at an extremely low level. NORD/LB countered future uncertainties by making a management adjustment of around € 289 million as at 31 December 2023.

Despite the demanding market environment in the past financial year, NORD/LB was able to meet its targets in new business and has confirmed and partially extended its position in its core segments of Corporate Customers and Savings Banks Networks, Real Estate Customers (Deutsche Hypo) and Energy and Infrastructure customers. Accordingly, the holdings of financial assets measured at amortised cost increased significantly on the balance sheet date compared with the previous year and significantly overcompensated the decline in contingent liabilities and other obligations.

The positive performance of new business in the 2023 financial year, together with declining fees for the guarantees of the State of Lower Saxony, was reflected in a very good performance in net commission income. In addition, the rise in the market interest level particularly for short maturities had a net positive impact on interest income. NORD/LB also benefited from a high positive profit contribution in other operating profit/loss from the merger of LBS NORD and LBS West. Overall, it was possible to offset the negative valuation effects from the increase in interest rates, which were reflected in the fair value result, and the higher allocations to risk provisions and achieve a very pleasing overall result in the Group.

A major focus of the Bank in the reporting year was the implementation of the measures from the NORD/LB 2024 transformation programme. NORD/LB has already made significant progress here, which is also reflected in administrative expenses. The new "fitt – future investment in technology and transformation" programme for the introduction of a new bank management system was approved by the Supervisory Board and Owners' Meeting on 18 September 2023. The project started in October 2023 and is scheduled for mid-2026. The first milestones of phase I were achieved as planned.

The Bank's main focus is still on sustainability. NORD/LB successfully completed the CARE sustainability project started in 2021 in order to support and advance both the regulatory requirements and its own objectives for the further strategic integration of ESG (environment, social, governance) and sustainability into the Bank. In the reporting year, the Bank initiated the BLUE project for further development in the area of ESG, in particular with regard to the fulfilment of external standards as well as strategic further development and identification of additional, ESG-specific earnings potential. Sustainability has long been an important part of the Bank's business model. NORD/LB has been successfully financing renewable energy projects for 30 years and also has a strong starting position in key transition sectors such as energy, real estate and agriculture. Accordingly, NORD/LB supports its customers in the transition to a climate-neutral economy and thus actively contributes to achieving the climate targets.

## Supplementary Report

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



## Forecast, Opportunities and Risk Report

## General Economic Development

### Global economic outlook

From NORD/LB's perspective, the now changing global inflation environment should make it possible for some globally important central banks to implement key interest rate cuts in the course of 2024 to support economic activity. The macroeconomic price level should be much more relaxed in many currency areas. Given the current economic weakness in the eurozone (and especially in Germany), the European Central Bank is likely to be one of the central banks needing to act more quickly. The current level of capital market interest rates very clearly reflects this changed inflationary environment already. The more favourable financing conditions should then aid economic growth in the eurozone, as the central bank will try to stimulate investment in particular through lower interest rates. In the USA, on the other hand, following the very encouraging economic development in 2023, clear signs of a noticeable slowdown in the domestic economy are expected in the course of 2024, which would then also put US monetary policy makers under pressure to act in the future.

The GDP growth rates in 2024 as a whole are not expected to remain negative in the long run in Germany and the USA, following the baseline scenario, but after the very strong figures in 2023, less momentum in terms of further economic development in the United States is to be expected. NORD/LB expects growth rates of 0.0 per cent (for Germany) and 1.8 per cent (for the USA) for 2024 as a whole. However, the high level of uncertainty is likely to remain a problem for the global economy. In addition to looking at the Ukraine conflict, reference should also be made in this context to the phenomenon of de-globalisation.

### Finance sector

The main challenges facing the banking market are likely to lie in the current economic and political developments as well as the monetary policy decisions made by the central banks. It can be assumed that the currently weak economic environment will have an impact on the asset quality of banks. However, banks have already set aside risk provisions, particularly for the segments that are more affected by economic and monetary developments. In addition, the further development of interest income and its current positive effect on earnings will depend on what central banks decide key interest rate should be in the future.

Furthermore, the strategic focus on core business segments already initiated by many banks is expected to continue. This includes, among other things, the sale of non-strategic assets and equity investments and the expansion of their core business areas, some of which will be supported by strategic acquisitions. In addition, the existing cost and earnings pressure as well as strong competition will continue to keep the pressure high on the banking market to consolidate.

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

### Renewable energies

The expansion of renewable energies (EE) is a key measure to secure future energy supply and the achievement of targeted climate neutrality. Regulatory interventions have helped legislators in various countries and regions to optimise investment conditions and thereby remove some barriers.

The upward trend in renewable energies will continue unchanged in 2024. Estimates assume a global expansion of 647 GW (photovoltaics: +19 per cent to 532 GW and wind power: +11 per cent to 115 GW)

(International Energy Agency: World Energy Outlook 2023). The investments required to achieve global climate neutrality are estimated to be more than USD 1.3 trillion per year worldwide by 2030 in the field of renewable energy alone (cf. BNEF “Tracking global investment in the low-carbon transition” Jan. 2024).

The current direction of the energy transition aims to switch almost all fossil-based systems to electricity in parallel. It is not enough to only look at the original power source. Neither the transport nor the heating sectors have sufficient infrastructure to fulfil the requirements. There is a need for action in terms of expanding the required electricity grid as well as with regard to topics such as establishing a supply of climate-friendly hydrogen.

### **Real estate**

The real estate market is likely to continue to be weighed on by the current economic challenges and uncertainties in 2024, with the investment market likely to gain some more momentum when the interest rate peak is reached, particularly in the second half of 2024. Global transaction volumes should increase by up to 7 per cent in 2024 as a whole compared with the previous year (CBRE: Global Investment Activity Stays Subdued in Q4; Recovery Expected in H2 2024, press release dated 13 February 2024) and European transaction volumes by around 10 per cent (CBRE: European Real Estate Investment Volumes Q4 2023). A slight recovery is expected for the German investment market at a comparatively low price level, with this likely to apply in particular to the second half of 2024. For 2024 as a whole, the transaction volume for residential and commercial real estate is estimated to be around € 35.0 billion (2023: € 28.6 billion) (CBRE: Real estate investment market Germany, press release of 8 January 2024).

### **Aircraft**

IATA expects global passenger transport (RPK) to increase by 9.8 per cent in 2024 compared with the previous year. As a result, passenger traffic in the current year will be 4.5 per cent higher than in 2019. For 2024, the IATA is anticipating a profit of USD 25.7 billion for international airlines' net income (expectation in 2023: USD 23.3 billion). This would correspond to a net margin of 2.7 per cent (expectation in 2023: 2.6 per cent). For 2023, IATA is forecasting an increase of 4.5 per cent compared with the previous year for the requested air freight volume (CTC) (see IATA, Industry Statistics Fact Sheet, December 2023).

## Group Forecast with Opportunities and Risk Report

### Key planning assumptions

NORD/LB's Group-wide medium-term planning adopted by the Bank's committees at the end of 2023 simulates the financial years up to and including 2028. The starting point of the planning is the transformation process to resize and realign NORD/LB. Initiated in 2020 and running until 2024, it also takes into account the specifications agreed with the owners of NORD/LB and the European Commission. In addition, the planning is characterised by the implementation of further earnings measures to exploit market opportunities while simultaneously strengthening the business model. This includes, in particular, the expansion of the strategic positioning as a specialist financier for sustainability topics. In this context, 2024 will be shaped by the investments NORD/LB is making in a sustainable future that can take advantage of opportunities and respond to risks.

The planning is based on NORD/LB Research's medium-term economic forecast, which outlines the changes in the economy, interest rates, exchange rates, price increase rates and financial markets. Crises and (geo)political uncertainties, such as the war in Ukraine, the Middle East conflict and political tensions between China and the Western world, are burdensome factors for general economic development. As a result of the uncertainty surrounding all these issues, the risks for the global economic outlook remain significantly elevated. For Germany, minimal economic growth of less than 1 per cent was used as a basis in the planning scenario for 2024. The ECB's main refinancing rate was assumed to be just over 4 per cent on average.

The forecast of the total risk exposure amount, regulatory equity, regulatory capital ratios and other relevant capital ratios such as the leverage ratio and the various MREL ratios of the NORD/LB Group for 2024 takes into account the relevant legal requirements as well as other binding individual requirements of the Banking supervisory authorities and resolution authorities for the provision of regulatory capital or MREL-eligible capital and complies with them.

### Forecast of the financial performance indicators

	Forecast for 2024	1 Jan. - 31. Dec.2023
Earnings before taxes (in million)	low triple digit million amount	271
Cost-Income-Ratio (CIR)	slightly higher level in comparison to the previous year	73.5%
Return-on-Equity (RoE)	positive, slightly lower in comparison to the previous year	4.0%

NORD/LB expects positive earnings before taxes in the low three-digit million range for the coming financial year 2024 despite the current high global economic and geopolitical uncertainties. The RoE is expected to be lower than in the previous year in the positive range.

The Bank expects a slight increase in income from the lending business for 2024, which will be accompanied by both higher credit margin results in net interest income and higher commission income. In view of the slightly lower interest rate level, however, the interest income margin on the liabilities side is expected to decline. In addition, in anticipation of the elimination of negative valuation effects, including from the valuation of the financial guarantees of the State of Lower Saxony, which significantly dominated profit in 2023, a visibly better profit/loss from fair value measurement was planned compared with the reporting period. In contrast, considerably lower income is expected in connection with the investment portfolio compared with the reporting year.

Given the continued major economic and geopolitical uncertainties, NORD/LB expects an increase in the gross risk provisioning requirement, which will be partially covered by the reversal of the management adjustments formed in previous years. Taking reversals into account, the risk result will be at a probably slightly less better level than in the past financial year.

As a visible consequence of the successful transformation, administrative expenses as well as transformation expenses are expected to develop at a slightly lower level, even though numerous measures and investments are planned in 2024 for the Bank's future. Due to the slightly lower total income compared with the past financial year due to the elimination of special effects, the CIR is expected to be at a slightly higher level.

### Forecast of key segment figures

In the **Private and Commercial Customers** segment, a decline in income on the liabilities side is expected due to falling interest rates, which cannot be compensated for in the lending business. At the same time, a noticeable decrease in administrative expenses is expected as a result of successfully implemented cost measures. Overall, a significant decline in earnings with a still positive result before taxes, a higher CIR and a significantly lower RoRaC are forecast.

For the **Corporate Customers and Savings Banks Network Business** segment, the Bank expects similarly high earnings in the 2024 financial year as in the previous year. In light of the economic environment, higher risk provisioning expenses are expected. With slightly higher administrative expenses, earnings before taxes are forecast to be lower. The key figures RoRaC and CIR are not expected to be fully achieved at the previous year's levels.

The **Markets** segment will benefit significantly from the implementation of numerous earnings measures, achieving significantly higher earnings before taxes overall. Accordingly, the key figures RoRaC and CIR should also move in a very positive direction compared with prior year.

Earnings in the **Special Finance** segment, consisting of the Energy and Infrastructure Customers sub-segment and the Aircraft Customers sub-segment, will be very positively influenced by the further expansion of the Energy and Infrastructure Customers sub-segment. On the other hand, the earnings performance in 2024 compared with the previous year will be affected by the elimination of the high positive profit contributions from the reversal of risk provisions in the Aircraft Customers sub-segment. Overall, it is expected that the segment result will be significantly lower and the RoRaC level will also be comparatively lower than in the previous year. However, the CIR will improve slightly.

Earnings performance in the **Commercial Real Estate (Deutsche Hypo)** segment are expected to be affected by rising income and increasing administrative expenses in the coming year 2024. At the same time, a further above-average requirement for setting aside risk provisions can be offset by the partial reversal of the management adjustment provided for this purpose. Overall, the Bank expects a significantly more positive segment result and a comparatively much better RoRaC level. The CIR will be slightly higher in the forecast compared with last year.

A decline in earnings is expected for 2024 for the **Special Credit & Valuation (SCV)** unit, in which the Bank's reduction portfolios are bundled. This is mainly due to the risk provisions result, which was affected by high reversals in the 2023 financial year. The RoRaC will be at a correspondingly lower level, while the CIR will develop more positively again with higher income and slightly lower administrative expenses.

## Exogenous opportunities and risks

### Economic factors

Uncertain global economic developments against the backdrop of geopolitical tensions and the unpredictability of market disruptions due to political and economic developments may lead in 2024 to deviations from the planning premises of the economic forecast with respect to key interest rates, yield curves, exchange rate forecasts, inflation and the economic situation with corresponding risks or even opportunities for the earnings of NORD/LB.

### Regulatory environment

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

### Competition

Challenges may arise as competition intensifies. The drivers of increased competition could be both established competitors and new competitors or new emerging cooperations. An increase in competition could be accompanied by pressure on the NORD/LB Group's future volume, margin and commission development. There are also opportunities for the NORD/LB Group from the withdrawal of competitors from the market and the expansion of its own good market position in established areas with correspondingly positive effects on earnings before taxes.

## Company-specific opportunities and risks

### NORD/LB 2024 transformation programme and other measures

Opportunities and risks exist in the sustainable implementation of NORD/LB's transformation programme as well as in the implementation of further planned projects and measures to strengthen the Bank's business model and profitability. If the earmarked income and cost measures are not implemented as planned, this could lead to pressure on the NORD/LB Group's profitability and KPIs. At the same time, it is possible that further planned measures will be implemented prematurely, resulting in unexpected positive effects on the Bank's financial performance indicators. The implementation of the extensive transformation project has been linked with many employee departures. Even if various institutionalised measures are taken to counteract the loss of expertise in the bank, there remains a risk to earnings.

The **Bank's external rating** has a significant impact on the Bank's refinancing costs. An improved NORD/LB rating compared with the planned level could be associated with earnings opportunities. In this context, a positive impact due to an rating upgrade of the security system of the Sparkassen-Finanzgruppe, to which NORD/LB belongs, should also be mentioned. In the event that the Bank's ratings perform worse than the planned assumptions, an earnings risk could be derived.

An earnings risk can be attributed to the increased **competitive labour market conditions** if the recruitment and retention of talents is not successful to the planned extent. On the other hand, as the Bank's economy has started to stabilise, NORD/LB has become significantly more attractive as an employer.

Like all companies, the Bank is also exposed to the risk of **cyberattacks**, potentially affecting data loss, system failures and reputation and resulting in earnings risks.

A comprehensive presentation of the Bank's risks can be found in the extended risk report.

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

Opportunities and risks for the **Private and Commercial Customers** sub-segment are arising from the advancing digitalisation, which is leading to a profound change in banking. The resulting change in customer behaviour results in new business opportunities and potential for exploiting cost advantages. The sales measures developed in the Braunschweigische Landessparkasse 2024 project to increase earnings and reduce costs will continue to be implemented. The particular focus here is on aligning the holistic consulting approach for all relevant customer segments. Expanding the digital brokerage platform creates opportunities in the real estate sector for private and commercial customers. The previous successes in sustainable financing solutions suggest further growth opportunities. Rising interest rates and high inflation are creating risks, but also opportunities. Whilst on the one hand it is putting a strain on the private real estate sector, on the other it will continue to result in lucrative investments in the deposit and securities business for customers.

The restructuring in the **Corporate Customers and Savings Banks Network** segment enables further earnings potential to be tapped and offers opportunities for the Bank's earnings performance. The medium-sized and high-end corporate customer business, the giro central function for federal savings banks and savings banks in Schleswig-Holstein as well as the business with companies and municipalities in the federal territory are now managed from a single source. This allows the Bank to leverage the synergies in market development, use the geographical proximity and benefit from the economic stability of its customer base. The Bank plans to continue focusing on a regional entry into the Savings Banks network customer business beyond the central giro office function. Customer-specific structured products – including the arrangement and structuring of large-volume financing transactions and acquisition financing, capital market-related financing, derivatives and products for the management of current assets and balance sheet structure optimisation – are offered throughout Germany; the product range is adapted in the network area. In particular, **NORD/LB's** ESG strategy opens up an opportunity to expand its product range and customer base. All customer segments of the business segment are to receive high-quality support during their sustainability transition and the corresponding challenges, with ESG advice given and a corresponding product range offered.

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

The **Markets** segment sees digital transformation as an opportunity in the future competitive environment. As part of a digital roadmap, profitability is also optimised through the use of technological solutions. As part of the digitalisation roadmap, Markets is being systematically developed into a platform manager. The international ABF activities will be developed into a fully digital platform with full integration of all functions (for example, digital identity), customer acquisition and third-party capability. The ABF growth strategy will be implemented in particular in the USA and Europe (with a focus on Germany). With regard to the transition to sustainable business, institutional customers should be supported with suitable products and advisory services. These include sustainable refinancing strategies in particular, such as green retail issues (PAI) and green bonds.

In the **Energy and Infrastructure Customers** sub-segment, opportunities arise through the use of **NORD/LB's** long-standing expertise and good market position in the context of the trends for ESG-focused

energy and infrastructure projects. On this basis, it is possible to continue the diversification of the portfolio already begun by tapping into PV and wind energy production in related sectors, in particular digital infrastructure and battery storage technology, as well as expanding business activities to regions within the risk strategy. Furthermore, the involvement of institutional investors is being further strengthened, among other things, by the development of new products, in order to improve NORD/LB's competitive position and drive forward credit syndication activities in the interest of investors. The main future market-driven challenges lie in increasing competition in a constantly evolving market environment, particularly in the area of renewable energies. In particular, this also includes the constantly changing framework conditions for the remuneration and realisation of renewable energy projects and the resulting consequences for the financing structures.

At the time of preparing the Group management report, various options for further alignment are being examined for the **Aircraft Customers** sub-segment. Subject to the pending decision, this is where the opportunities and risks from ordinary business activities are considered. After passenger numbers have recovered to pre-pandemic levels, there is an opportunity for a sustained market recovery and further growth in the aviation sector and thus the stabilisation of global airlines' earnings as well as a rising demand for increasing financing. This expectation also creates potential for the aviation industry to further increase its attractiveness. At the same time, this trend opens up the opportunity for NORD/LB to actively manage the portfolio by placing individual assets or portfolio transactions. There is a risk in the aviation industry that newly introduced or further developed aircraft models may exert pressure on the residual values of existing models with older technical equipment. Unexpected extreme events, such as pandemics and international conflicts, can also significantly influence passenger air traffic and lead to challenging market developments. New sustainability requirements offer opportunities to develop innovations in drive technologies and new aircraft types (e.g. sustainable aviation fuels, electrified aircraft, etc.). Furthermore, the "Sustainable Transportation" growth initiative offers additional business potential for NORD/LB. The focus here is on financing measures for the decarbonisation and transition of the transport sector.

The **Commercial Real Estate (Deutsche Hypo)** segment is particularly influenced by the economic environment, but also by the demand for housing and the political and legal context (permits, subsidies). In addition to the shortage of skilled workers, the changed interest-rate environment, persistently high energy and commodity prices and inflation-induced hesitance from investors also pose challenges for the real estate industry. If these challenges are reflected in lasting economic and capital market pressures, this could negatively impact real estate markets with less profitable and delayed projects, vacancies and depreciation in commercial real estate and declining demand for credit. This could lead to increasing risk provisioning expenses, particularly for project financing or the financing of specific retail uses. In addition, there is a risk of new business volume in the commercial real estate financing business falling below the forecast, as well as a corresponding decrease in holdings, which would then reflect negatively on the Bank's profit. On the other hand, there are prospects that the economic environment will be better than expected in the further course of the year and thus prove to be less challenging for the real estate industry.

The earnings performance in the internal reduction unit **Special Credit & Valuation (SCV)** was characterised by further portfolio reductions. The ship portfolio was reduced as far as possible and still has a low impact on earnings performance. Potential negative effects on earnings due to new risk provisioning requirements are largely limited by the guarantee of the State of Lower Saxony. Outside the ship finance, the portfolio reduction is mainly carried out as part of the regular repayment process. Any market opportunities can be used for premature returns and accelerate the reduction, with a corresponding impact on earnings. However, aggravated economic crisis conditions can lead to increased risk provisioning expenses.

**Overall assessment on the forecast report**

The year 2024 will also be shaped by investments in NORD/LB's sustainable future, among other things in the IT infrastructure and for the further expansion of its strategic positioning as a "Bank der Energiewende" promoting Germany's energy transition.

The earnings forecast for the coming financial year 2024 is particularly influenced by the existing economic and geopolitical uncertainties. The Bank expects higher risk provisioning expenses, which are partly covered by reversing the management adjustments made. At the same time, higher income is also expected in connection with the lending business. Overall, NORD/LB expects a positive earnings before taxes in the low three-digit million range, which is not expected to reach the level of the previous year due to non-recurring positive special effects.

Earnings risks and opportunities arise on the one hand from economic and geopolitical uncertainties. Market developments, yield curves, exchange rates, inflation and economic trends could materialise differently to what was forecast in the Bank's planning. In addition to regulatory and competition-induced earnings uncertainties, there are also company-specific opportunities and risks, especially with regard to the implementation of the Bank's transformation programme as well as further strategic measures.

## Extended Risk Report

### **Risk management**

The subsequent risk report includes all companies in the scope of consolidation in accordance with IFRS 10, which also includes special purpose entities (SPEs) that are subject to mandatory consolidation. Consideration of the materiality principle leads to a different scope of application. The group of main companies is determined in an investment analysis, which is described in the section Equity Investment Risk. The determination of the material Group companies takes into account both the companies consolidated in accordance with IFRS and the companies from the regulatory scope of consolidation. The main companies are included in the risk reporting using a look-through method at individual risk type level. As a result, risk reporting at NORD/LB is based on the individual risks of the material Group companies. This includes the parent company NORD/LB AöR and the subsidiary NORD/LB Luxembourg S.A. Covered Bond Bank (abbreviated as: NORD/LB Luxembourg).

With regard to the total portfolio of financial instruments in the Group, the aforementioned two companies accounted for more than 95 per cent. From the Group's overall perspective, all other companies only make a negligible contribution to the individual risks. The risks contained in these other companies are treated as investment risk.

Taking into account IFRS 7 and the requirements of the substantiated "German Accounting Standard" DRS 20, risk reporting is carried out in accordance with the management approach, i.e. internal and external risk reporting is based on the same terms, methods and data.

### **General risk management**

#### *Basic principles*

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

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

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

In line with the Bank's strategic orientation as a universal bank focused on the needs of its customers and with a focus on the credit business, counterparty risks represent material risks. Counterparty risks are divided into credit risks and investment risks; credit risk is also divided into traditional credit risk and counterparty risk of trading.

Market risks are also very important as an overarching category for interest rate risks, credit spread risks, currency risks and volatility risks and are a material risk type. Other significant risk types are liquidity risk, operational risk and business and strategic risk, including association risk and project risk (referred to as: business and strategic risk). Reputational risk, pension risk and real estate risk are also considered relevant. All material types of risk are managed by NORD/LB's risk management system.

Pursuant to Section 25a KWG in conjunction with the minimum requirements for risk management (MaRisk), a proper business organisation includes, among other things, the definition of strategies and the establishment of procedures for determining and ensuring risk-bearing capacity (RTF).

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

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

### *Strategies*

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

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

NORD/LB's risk strategy defines the individual risk types with regard to the allocation of risk capital. Accordingly, the risk strategy defines the willingness to take risks and how to deal with the main types of risk in order to implement the business model. The risk appetite is determined on the basis of the risk inventory of the individual institutions at Group level, taking into account the risk-bearing capacity.

The requirements of MaRisk and the ECB guidance for the Bank's internal process for ensuring adequate capital adequacy (Internal Capital Adequacy Assessment Process – ICAAP, referred to as: ECB-ICAAP Guide) were implemented in a NORD/LB Group-wide risk-bearing capacity model for determining and assessing the risk-bearing capacity. It integrates the operational procedure for both managing and limiting the material risks as an overall bank management instrument. In conjunction with the defined escalation procedures, the risk-bearing capacity model supports the ongoing assurance that the capital resources in the context of the Bank's Risk Appetite Framework are appropriate. In accordance with paragraph 39 of the ECB-ICAAP Guide, the risk-bearing capacity model is based on the going concern premise. In accordance with the ECB-ICAAP Guide, the continuation principle is ensured, among other things, by excluding AT1 (Additional Tier 1 capital) and T2 (Tier 2 capital, supplementary capital) capital from the economic risk coverage potential. The normative perspective is managed with the aim of complying with all internal and external capital requirements over the medium-term planning period of five years. Economic risk potentials are incorporated into this objective by projecting the P2R (Pillar 2 Requirement) requirement.

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

Operational risk management is carried out decentrally within the NORD/LB Group in the main NORD/LB AöR and NORD/LB Luxembourg companies. The companies have a structured organisational and operational structure as well as a variety of instruments coordinated Group-wide that ensure sufficient trans-

parency about the risk situation and make it possible to manage and monitor the required limitation and portfolio diversification.

#### *Structure and organisation*

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

The responsible Chief Risk Officer (CRO) of NORD/LB is the Head of the risk controlling function according to AT 4.4.1 of the MaRisk and is responsible for defining and monitoring the Group risk strategy in consultation with the market departments. The responsible Chief Risk Officer of the respective individual institutions is responsible for defining and monitoring the risk strategy in consultation with the market departments.

NORD/LB AöR's DBE 19 Risk Controlling is responsible for the implementation and further development of the Group-wide ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) and for the ongoing monitoring of compliance with the Group risk strategy, including the specifics of the individual institutions.

To ensure the greatest possible comparability with regard to the assessment, reporting, management and monitoring of all material risks, the instruments and methods specified and coordinated by the parent company are used in the material institutions.

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

- **Group Risk Committee:** The Group Risk Committee (GRC) is chaired by NORD/LB's Chief Risk Officer (CRO). The Direct Report credit risk management is responsible for the business management (Direct Report generally corresponds to the Head of Division). The permanent voting members are the CRO and the Chief Operating Officer (COO) of NORD/LB as well as the Direct Reports Risk Controlling, Credit Risk Management, Special Credit & Valuation (SCV), the Market Heads of NORD/LB and the CRO of the subsidiary NORD/LB Luxembourg. To support the Managing Board in its responsibility for risk management with a focus on the holistic consideration of risk types, the GRC develops, among other things, recommendations for action in order to keep the business model in line with the portfolio risk and makes decisions on the operational reduction of concentration risks. Within the framework of the overarching requirements set by the Managing Board, the GRC may decide on individual strategies for individual groups of connected customers, countries and industries within the strategic limit systems. The GRC also regularly reports on the activities of the US Risk Committee (USRC), which monitors the risk management of the New York branch. The Chief Risk Officer of NORD/LB is responsible for chairing the USRC meetings.
- **Asset liability committee (ALCO):** The ALCO is an advisory body for the Managing Boards of the NORD/LB Group with regard to:
  - a) Optimising the risk/return profile of the credit and banking book with regard to credit, market and liquidity risks (including funding);
  - b) Discussions, higher-level management and setting guidelines for key performance indicators (e.g. income, RWA, total assets, new business and funding, market risks from pension commitments);
  - c) Decisions on the market positioning of the banking book, in particular in the interest portfolios in the banking book.

As part of its task, the ALCO generally follows the economic approach, strictly taking into account regulatory requirements and internal restrictions (e.g. VaR limits, sector and country limits). The Chief Financial

Officer of NORD/LB is responsible for chairing the ALCO meetings. The members of ALCO are appointed individually.

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

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

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

For decisions on material methods and reports of DBE 19 Risk Controlling, the matters are coordinated directly between the (individual) institution and the DBE 19 Risk Controlling.

- **Other advisory committees:** The Managing Board is supported by a number of other committees, each of which acts in an advisory capacity in specific specialist areas. These include: the Risk Round Table (handling of questions on operational risks, governance and compliance topics) and the IRBA Committee (IRBA-C). IRBA-C is a decision-making committee appointed by the management that deals with the performance, validation and further development of the IRBA rating procedures. Founded at the beginning of 2021, the Sustainability Board regularly exchanges ideas across departments on the integration of sustainability into NORD/LB and the development and coordination of cross-departmental measures. As part of the Bank's Group-wide restructuring planning, the Recovery Planning Committee (RPC) has the main task of supporting the Managing Board in its responsibility for Group restructuring planning and its continuous integration into the business organisation. The focus of the RPC here is on the final discussion of certain issues and the preparation of suitable proposals for resolution by the Managing Board.

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

The risk-oriented and process-independent audit of the adequacy and effectiveness of risk management is carried out by the internal auditor of the individual NORD/LB Group institutions. As an instrument of the Managing Board, Internal Audit is an independent component of the internal monitoring system (third line of defence). One of its overarching objectives is to protect the value of the Bank by, in particular, proactively, objectively and in a risk-oriented manner examining the relevant risks for the Bank and proactively initiating, monitoring and supporting change. Internal Audit's audit approach also extends to sig-

nificant projects, new product processes and the functions and divisions of the institution, both in-house or outsourced. Group Auditing operates in addition to the NORD/LB Luxembourg subsidiary's internal audit function. The audit approach of the Group audit covers the risk management of material risks in the NORD/LB Group, the effectiveness, efficiency and regularity of the Group's business activities and the control and monitoring procedures in the Group.

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

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

#### *Reporting*

In the quarterly Finance and Risk Compass, DBE 19 Risk Controlling reports comprehensively to the Managing Board of NORD/LB and the supervisory board as well as, if applicable, its committees on the risk situation. In addition to the quarterly final data on ICAAP, the information there is based on the monthly (liquidity and market risks) or quarterly (operational risks and counterparty risks) risk-type-specific reporting by Risk Controlling. The monthly ICAAP status report also reports on the ICAAP data available at the reporting date.

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

#### *Risk-bearing capacity model*

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

The internal capital available for risk coverage in the economic perspective is based on Common Equity Tier 1 (CET1). In addition, deductible items from economic perspectives are factored in, taking into account the minimum regulatoric requirements (hidden losses and dynamisation items, anticipated losses (if necessary)).

In addition to aggregated risk assessment, risk strategy requirements are also monitored in the form of limits at risk-type level, including the reserve for other risks (respectively thresholds for the mid-year monitoring of the business and strategic risk based on selected P&L items). The aim is to assess and ensure the adequacy of the capital base, taking into account the normative and economic perspectives.

Within the economic perspective 80% of the available risk coverage potential is provided as limit, which is distributed for management purposes in the individual companies for each risk type, and represents the risk appetite in the narrower sense. The limitation below the maximum possible limit value corresponds to the Bank's focus on a lower-risk profile.

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

- capital ratios on the reporting date with the required target capital ratios (normative perspective) and

- the risk potential from risk positions, both those classified as material and others (economic perspective), with the risk coverage potential.

Implementation	Normative perspective	Economic Perspective
<b>Risk potentials</b>	Measurement according to CRR: - Counterparty risk - Market price risk - Operational risk - CVA Risk - Settlement Risks  Note: the liquidity risk is covered 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 maturity balance sheet over the entire term (up to 30 yrs.)  Operational risks: Loss distribution approach  Reserve for other risks: Business and strategic risk, pension risk, property risk and reputational risk as well as a temporary buffer of ESG risks
<b>Risk-covering capital</b>	Differentiated consideration according to CRR: - CET1 capital - core capital - total capital	CET1 capital taking into account losses, anticipated losses (if necessary) and other dynamisation items

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

In line with this objective, both regulatory and economic risk potential are included in the risk-bearing capacity model, using a uniform confidence level of 99.9 per cent and a risk horizon of one year. The internal buffer for the P2R is checked by calculating the maximum possible risk potentials the full utilisation of the economic limits for each risk type. First, for this, the surpluses between economic and normative risk potentials are determined (risk-by-risk assessment (pillar 1+ approach)). At the same time, compliance with internal risk strategic requirements is ensured. This increase to the full utilisation of the economic limits induces two feedback effects that act simultaneously during the optimisation process:

Effects	Feedback effect 1	Feedback effect 2
<b>Characteristic</b>	reduction of the simulated capital ratios	increase of the simulated target capital requirements
<b>Description</b>	Rising economic risk potentials induce rising normative risk potentials. As a result, the RWA are rising and the simulated capital ratios are falling. Furthermore, the inclusion of the dynamisation items in the hard core capital may have a reducing effect on the capital ratios.	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 Pillar 2 Requirements (Pillar 2 projection).

The methodological structure of the risk-bearing capacity model has been standardised and is binding throughout the Group.

Risk concentrations are also taken into account when determining risk-bearing capacity. In NORD/LB's understanding, risk concentrations represent accumulations of risk positions that react in the same way when certain developments or a certain event occur. In accordance with the strategic orientation, concentrations within a risk type result primarily from credit risks (as a sub-category of counterparty risks). These can occur at borrower, country and industry level. The aforementioned risk concentrations are integrated into the RTF model via the internal credit risk model. In the area of market risks, concentration

risks in the form of credit spread risks and interest rate risks are intentionally entered into the bank book within the allocated limits. NORD/LB uses various limit models and stress testing to identify and monitor risk concentrations. Stress test observations are generally carried out across risk types and consequently include assumptions about diversification and concentration within (intra-risk) and between (inter-risk) the material risk types being observed. The operational implementation of the stress tests required by supervisory law is carried out at NORD/LB by means of a regularly updated stress test landscape consisting of regular (adverse), ad hoc and inverse stress tests. Adverse scenarios 1 to 3 form an integral part of NORD/LB's stress test programme and are reported quarterly as part of risk reporting. They simulate unfavourable macroeconomic scenarios of varying severity.

### **Counterparty risk**

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

### **Credit risk**

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

- Default risk in trading refers to the risk that a loss will occur due to a debtor's default or deterioration in creditworthiness. It corresponds to traditional credit risk and relates to money market transactions.
- Replacement risk refers to the risk that the contractual partner will default in a pending transaction with a positive market value and that this transaction will have to be covered again with a loss.
- Settlement risk is divided into advance settlement risk and clearing risk. The advance settlement risk refers to the risk that, in the event of the fulfilment of a transaction after the performance of one's own (advance) service, no return consideration will be provided by the contractual partner or, in the event of mutual offsetting of the services, the compensation payment will not be provided. Clearing risk refers to the risk that transactions cannot be settled by both parties on or after the end of the contractually agreed performance date.
- Issuer risk refers to the risk that a loss will occur due to the default or deterioration in the creditworthiness of an issuer or a reference debtor (credit derivatives).

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

### **Strategy**

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

prejudge the final individual decision. The focus in new lending business is on contracts with customers or projects with good credit ratings. NORD/LB is also concentrating on business with good addresses in the capital market business.

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

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

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

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

According to the ECB NPL Guidance and AT 4.2, note 3 of MaRisk, the Bank is currently not obliged to draw up a dedicated NPL strategy, as all strategic business segments have an NPL ratio of less than 5.0 per cent. However, the Bank has developed an NPL strategy that currently only provides a definitive and conceptual framework. If the NPL ratio exceeds the above-mentioned threshold of 5.0 per cent in the respective segment in individual strategic business segments, a complete NPL strategy must be developed. To identify any risks in the form of increased NPL holdings at an early stage, the Bank prepares a quarterly NPL report, which also meets the requirements of the ECB guidance on non-performing loans.

#### *Structure and organisation*

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

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

The Credit Risk Management (CRM) back-office section of DBE 54 combines an analysis function (including rating determination) with risk monitoring. Furthermore, the Credit Risk Management division is responsible for the second vote taken for decisions on individual loans. In the case of exposures associated with risk concentrations, approval is also given with regard to the loan exposure sizes. As part of a multi-

level reporting system, the division also prepares sector portfolio reports on selected sub-segments on a regular basis.

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

In the case of risk-relevant exposures, the implementation of the credit decisions, including the contract documentation, and in some cases the credit-related portfolio maintenance is carried out by the DBE 42 Business Management & Operations division (BMO) in cooperation with the market division or DBE 62 Special Credit & Valuation (SCV). In the case of special financing, these tasks are exclusively the responsibility of the respective market division or SCV.

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

The processing of non-performing exposures or exposures in need of restructuring is carried out by SCV at NORD/LB. This excludes exposure to financial institutions, including central governments and international local authorities, asset-backed securities (ABS) and corporate bonds, which are processed in the credit risk management division.

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

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

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

DBE 19 Risk Controlling is responsible for the methods for measuring credit risks and for credit risk management instruments. It is also responsible for the independent monitoring of credit and equity investment risks at overall portfolio level, the related reporting and the responsibility for methods and procedures related to the economic quantification of counterparty risk. Supervisory reporting is the responsibility of DBE 25 Finance.

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

#### *Collateral*

In addition to the creditworthiness of the borrowers or counterparties reflected in the rating, the available customary bank collateral and other risk mitigation techniques are also key to the assessment of credit risks. NORD/LB therefore accepts domestic and foreign collateral in the form of objects (securities) and

rights in order to reduce the credit risk. When accepting collateral, attention is paid to the proportionality of the costs and benefits of the collateral.

Collateral is assessed according to the value at which it is to be recognised both at the time the loan is granted and during ongoing monitoring, at least annually. A going-concern-scenario is used. When a commitment is transferred to liquidation, the valuation changes and a gone-concern scenario is assumed. NORD/LB's credit guidelines and lending principles define which basic types of collateral and securities are to be used and the maximum proportion of the mortgageable value or market value a collateral can be measured at (value limit). Guarantees, loan collateral similar to a guarantee, collateral assignments of receivables and other rights, liens on movable assets, real estate, receivables and other rights as well as collateral assignments of movable assets are accepted as credit collateral. Further collateral can also be contracted with the borrowers, but this does not reduce the unsecured portion of the exposure.

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

#### *Management and monitoring*

To assess counterparty risk, NORD/LB determines a rating or credit rating class for each borrower as part of the initial or annual credit rating or as and when required. The rating modules used were developed as part of various projects carried out by the Cooperation of Savings Banks and Federal State Banks. NORD/LB's own development is only used for certain securitisation transactions.

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

Credit decision-making powers are graduated depending on the total exposure and the rating of the borrowers. Credit decisions are made by a "market" authority holder and a "back office" authority holder (bilateral competence). The second vote is drawn up according to specified criteria in units independent of the front-office sections. This also meets the regulatory requirement for the functional separation of credit votes. In the case of restructuring and resolution commitments as well as commitments under the responsibility of DBE 62 Special Credit & Valuation SCV, the first and second votes (unilateral competence) are made by this back office division.

In NORD/LB's credit process, credit exposures are monitored as part of regular document evaluation and rating preparation as well as on an ad hoc basis. In addition to analysing economic documentation, exposures are also checked against defined early risk warning indicators. If irregularities are identified, the exposures are checked on an ad hoc basis and, based on set criteria, are presented to the restructuring department.

For the purpose of early risk detection, NORD/LB has defined quantitative and qualitative indicators that are suitable for detecting elevated risks at an early stage and initiating suitable countermeasures. NORD/LB's early risk detection also covers the impact of ESG risks. In principle, ESG risks act as a driver of the early risk warning indicators, and ESG risks are also identified early explicitly via ESG scoring.

The process is identical across all asset classes and covers NORD/LB's unilateral and bilateral lending business. The OSPlus early warning system is used in BLSK's unilateral lending business. Engagements identified by the early warning system are technically transferred to the responsibility of the DBE 61 SCV.

Borrowers who are no longer able to comply with the contractual conditions due to financial difficulties, or who are at risk of not being able to comply with these conditions in the future, may receive a concession from NORD/LB, a so-called forbearance measure. NORD/LB defines certain measures such as deferral of interest and repayments or waiver of receivables as a forbearance measure without checking further for the existence of financial difficulties. Such concessions are generally for borrowers who are already in CRR default and thus in impairment Stage 3 according to IFRS. For measures such as term extension, covenant waiver, etc., NORD/LB assigns the exposure to impairment Stage 2 or 3 based on the assessment for the existence of financial difficulties. The corresponding loan receivable is the forborne exposure (performing/non-performing).

Loans with a rating of 11 according to the rating master scale of the German Savings Banks and Giro Association (DSGV) (allocation to the high risk category according to the "Initiative Finanzstandort Deutschland" - the Initiative for Germany as a Financial Centre (IFD)) - or poorer must be presented to the restructuring support team. Other defined risk indicators (e.g. suspicion of conduct that discriminates against creditors, initiation of restructuring processes) can also trigger an obligation to present. DBE 61 SCV decides whether a takeover will take place in the restructuring or whether the commitment will remain in intensive support. Another criterion for assigning the borrower to intensive customer support is the existence of a forbearance measure.

From a rating of 16 (assignment to the IFD risk class Default (Non Performing Loans)), adoption by DBE 61 SCV is mandatory. Both the obligation to present and the obligation to take over are, for example, exceptions for low-risk business.

When the exposure is taken over by the DBE 61 SCV – at the latest in the event of default and therefore with a rating of 16 or lower – the unit acts independently of the market units. DBE 61 SCV is responsible for problem loan processing in accordance with MaRisk and specialises accordingly in restructuring and settlement exposures. In problem loan processing, a distinction must be made between processing restructuring exposures and settlement exposures.

For restructuring exposures, the exposure strategy going forward is determined after reviewing the credit and collateral agreements, including the collateral values and expected credit loss calculations. A distinction is made here between exit, consolidation and active restructuring.

The transfer to the resolution unit takes place after unsuccessful reorganisation or dunning proceedings have been carried out and as part of insolvency proceedings. This is when the exit strategy is pursued, which means the settlement of these terminated exposures, including the realisation of collateral.

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

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

#### *Securitisations*

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

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

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

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

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

#### *Valuation*

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

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

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

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

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

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

#### *Risk provisions*

With regard to the accounting and valuation methods for calculating risk provisions, refer to Note (12) Risk provisions.

As an IRBA institution, NORD/LB mainly uses rating procedures developed in cooperation with other banks. These are, on the one hand, the rating modules of the RSU (Rating Service Unit), which were developed in the Landesbankenverbund, and, on the other, the procedures managed by S-Rating und Risikosysteme (SR), which arose as part of a cooperation between the Sparkassen-Finanzgruppe (financial group of savings banks). The basis for the PD used in the ECL calculation (expected credit loss) is the internal rating of the credit data record, which results from the corresponding rating procedure. In NORD/LB LGD models,

the service providers RSU (non-retail) and SR (retail) provide the expected loss ratio, from which the necessary loss ratio can be derived. The expected cash flows (consisting of expected interest and principal payments) of the credit data record form the basis for the EaD. The expected loss is determined monthly for each financial instrument. For each credit data set, the expected loss over twelve months (12m ECL) and the expected loss over the remaining term (LECL) are calculated.

NORD/LB has decided to further develop the Management Adjustment Ukraine (MAU) as a broader management adjustment (MA) resulting in an increase in model-based risk provisions for loan receivables in impairment stages 1 and 2 in accordance with IFRS 9. The aim of the MA is to take into account the expected but not yet realised effects in the Bank's risk provisions, which are not mapped via Stage 1 and Stage 2 modelling. The post-model adjustments in the Real Estate Customers and the Corporate Customers segments and across all segments for the municipal utilities sector are still considered necessary, but these are now due to the current prevailing macroeconomic framework conditions rather than the Ukraine war. Further explanations can be found in Note (2) Management adjustment.

#### *Stage transfer*

The relevant comparative measure shown below is the one-year PD. Based on IFRS 9 B5.5.13 and IFRS 9 B5.5.14, among other things, NORD/LB uses a 12-month horizon as an approximation for the change in credit risk over the expected useful life. Analysis carried out by the Bank, which took into account, among other things, the correlation between changes in the 12-month probability of default and changes in the lifetime probability of default, concluded that the choice of a 12-month measure in relation to the stage transfer is appropriate. It should be noted in particular that the lifetime PD does not include any factors that are not taken into account in the 12-month PD. The fundamentals of the methodology are explained in Note (12) Risk provisions.

#### *Reporting*

DBE 19 Risk Controlling is responsible for assessing the risk situation as part of the Financial and Risk Compass. This report also includes the presentation and analysis of all other key management features and parameters required for managing NORD/LB's loan portfolio. Among other things, it is presented to the Managing Board on a quarterly basis and further specified by industry portfolio reports from the Credit Risk Management division for individual sub-segments. This is specified, among other things, by the quarterly counterparty risk report, which provides an overview of the NORD/LB portfolio with regard to key figures relevant to counterparty risk.

In addition, the Managing Board of NORD/LB receives further regular and ad hoc reports on NORD/LB's loan portfolio from the DBE 54 CRM, e.g. on risk concentrations for groups of connected customers, country and sector concentrations as well as exposures requiring attention (credit watchlist).

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

#### ***Equity investment risk***

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

#### *Strategy*

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

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

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

Strategically important equity investments are managed using an integrative approach as part of the business segment strategy. The protection of the Group's interests in relation to equity investments is essentially achieved by centrally specifying key business figures or specific tasks.

#### *Structure and organisation*

Risks from equity investments at the various levels of the Group are managed by NORD/LB's DBE 34 corporate development in close cooperation with other divisions, in particular DBE 19 Risk Controlling and DBE 25 Finance. Support for domestic and foreign equity investments is provided centrally by the Equity Investment Management. NORD/LB's only significant equity investment, NORD/LB Luxembourg, had no equity investments of its own as at 31 December 2023.

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

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

#### *Management and monitoring*

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

#### *Valuation*

The methodology for measuring equity investment risks also takes into account risks that exceed the carrying amount. In the counterparty risk model, equity investment and credit risks are simulated interdependently in order to take into account concentration risks among the risk types.

#### *Reporting*

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

In addition, quarterly reporting is carried out on material and significant equity investments as part of the counterparty risk report. Furthermore, it is integrated into the Bank's financial controlling and planning system by submitting the earnings forecast, which is to be prepared at the end of the quarter together with

the investment income or expenses from profit transfer agreements in DBE 25 Finance, which is to be posted in the income statement in the current calendar year.

### **Market risk**

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

Interest rate risk exists whenever the value of a position or a portfolio reacts to changes in one or more interest rates or to changes in complete yield curves and these changes may lead to a reduction in the value of the position (present value perspective) or to a reduction in interest income (income-oriented perspective). Interest rate risk also includes, in particular, the risk from changes in interest rate basis spreads, from changes in the yield structure curves as well as interest rate risks from optional components and behaviour-based assumptions.

According to Art. 362 CRR, NORD/LB also divides interest rate risks in the trading book into general and specific risks. NORD/LB's understanding is that general interest-rate risk also includes credit spread risk, while specific interest-rate risk corresponds to issuer risk.

Credit spread risks arise when the credit spread valid for the respective issuers, borrowers or reference debtors changes, which is used as part of a market valuation or a model valuation of the position. Credit spread risks therefore result from securities, credit derivatives and promissory notes held for trading. In addition, credit products that are intended for placement or were previously intended for placement (including asset funds) are also relevant.

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

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

### *Strategy*

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

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

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

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

- The first block "Trading and Investments" contains the market risks resulting from customer-based trading, strategic investments as part of RWA management and the credit exposures intended for placement or previously intended for placement. This also includes all transactions in the regulatory trading book as well as internal transactions with the second block. Due to the corresponding IFRS classification, the risks in this block are managed from both an economic and normative perspective under a fair value-based, present value perspective.

- The second block "Treasury and Bank Management" contains the market risks from interest rate and liquidity positions as well as from investment in valuation interest positions. The risks in this block therefore consist exclusively of interest rate risks in the Banking book as well as credit spread risks, foreign currency risks and volatility risks entered into as part of interest rate and liquidity risk management. In addition to the full present value consideration (including the credit spread risks of all tradeable positions) in the economic perspective, which also includes modelling the pension and aid commitments, the normative perspective includes an income-oriented consideration of the net interest income for the next twelve months as well as a consideration of the measurement effects from credit spreads of securities to be accounted for at fair value.
- The third "Central measurement effects (IFRS)" block contains additional risks from central measurement effects resulting from IFRS accounting. Credit spread effects from other items to be accounted for at fair value and CVA risks are particularly relevant here. In the normative perspective, this block also includes currency risks as well as credit spread risks from the guarantees of the State of Lower Saxony to hedge the loss risks of certain ship and aircraft financing portfolios as well as the measurement effects from interest rate and credit spread movements not taken into account in the first and second blocks, which are also not monitored by IFRS hedge accounting. These are measurement effects from cross-currency spreads, pension commitments and other interest rate risks (e.g. basic risks, risks from the hedging of structured own issues and currencies not taken into account in hedge accounting).

#### *Structure and organisation*

NORD/LB's market risks are managed by the DBE 52 Treasury, DBE 11 Markets and DBE 43 Aviation Finance & Investment Solutions (AFIS) divisions responsible for the positions. As part of the Global Head function, these divisions are also responsible for trading activities in the foreign branches in London, New York and Singapore. Trading transactions are processed and monitored in separate processing areas, which are separated organisationally from the trading areas up to and including the management level. Market risk management is supported by NORD/LB's ALCO.

Market risks are monitored by DBE 19 Risk Controlling, which is separated organisationally from the units responsible for the positions up to and including the management level in accordance with MaRisk. This also includes determining the amounts to be offset from the internal risk model for quarterly reporting in accordance with the CRR. Risk Controlling is also responsible for independently developing and validating the risk model.

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

#### *Management and monitoring*

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

Various operational limits and sub-limits are derived from NORD/LB's RTF limits to mitigate the risks, which are clearly assigned to the divisions responsible for the positions. While the present value risk po-

tential is limited in the economic perspective via operational VaR limits, the risks in the normative perspective are restricted via scenario-based limits.

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

#### *Valuation*

From an economic perspective, the VaR key figures are calculated uniformly across the Group using the historical simulation method. At the end of each month, a VaR calculation is carried out for NORD/LB with a confidence level of 99.9 per cent and a holding period of one year to determine risk-bearing capacity. In the operational limitation of market risks, other parameters are generally used to determine VaR, e.g. a confidence level of 95 per cent and a holding period of one trading day to monitor the trading book on a daily basis. The basis for the daily VaR determination is the historical changes in risk factors over the last twelve months, while changes since 1 January 2008 have been used for the calculations of risk-bearing capacity. The models take into account correlation effects between the risk factors and the sub-portfolios.

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

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

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

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

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

#### *Reporting*

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

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

### **Liquidity risk**

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

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

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

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

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

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

### *Strategy*

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

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

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

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

### *Structure and organisation*

At NORD/LB, DBE 52 Treasury and DBE 19 Risk Controlling are involved in the liquidity risk management process.

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

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

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

NORD/LB Luxembourg's liquidity risks are managed decentrally by the local treasury unit and monitored by its own risk controlling unit. Regular exchanges take place between NORD/LB's main companies for coordination between the decentralised units, both on management-relevant issues in DBE 52 Treasury and on model-relevant issues in DBE 19 Risk Controlling.

### *Management and monitoring*

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

Classic liquidity risk is limited primarily on the basis of an analysis of a dynamic stress scenario, which describes the most likely crisis situation in each case. In addition, the dynamic stress scenario is supple-

mented by three further static stress tests. These include a NORD/LB-specific scenario, a cross-market liquidity crisis and a short-term scenario for a market-wide liquidity disruption on the financial markets.

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

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

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

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

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

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

#### *Valuation*

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

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

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

The stress scenario concept takes into account the central importance of the market liquidity of all securities in the portfolio. In addition, credit spread risks are also taken into account for all securities when determining market risks. Since the spreads observed on the market reflect not only the creditworthiness of

the issuers but also the market liquidity of the securities, the market liquidity of the securities is also indirectly taken into account in the risk reporting. A separate risk measure for market liquidity risks is not used.

#### *Reporting*

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

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

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

#### **Operational risk**

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

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

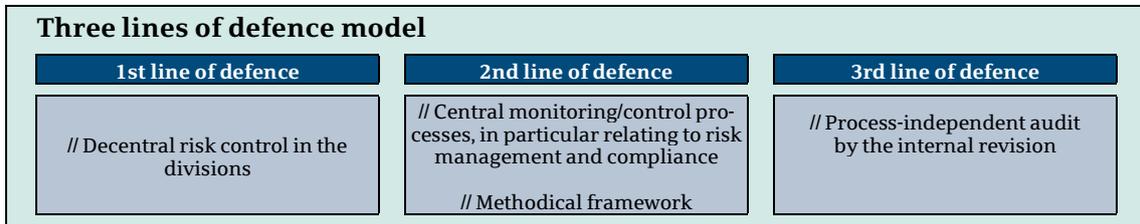
NORD/LB pursues the goal of efficient and sustainable management of operational risks, i.e.:

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

#### *Management*

Operational risk management is based on the three lines of defence model. Responsibility for managing operational risks lies decentrally with the divisions (first line of defence) within the specified framework conditions. Downstream control processes are installed on the second line of defence as part of the risk management and compliance function, which are supplemented by a central methodological framework

for risk identification and assessment as well as superordinate control and reporting processes. The process-independent audit is carried out by the internal auditors (third line of defence).

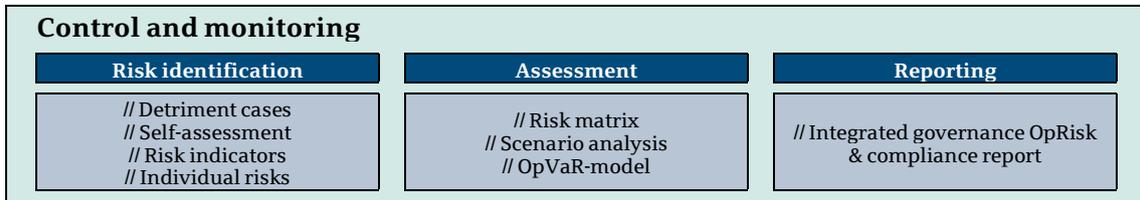


NORD/LB pursues an integrated approach to managing operational risks and is continuously expanding this approach. The aim is to optimally link the second line of defence processes with each other. In this context, operational risks are reported to the Managing Board in a quarterly report.

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

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

*Monitoring and management*



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

The annual self-assessment consists of structured discussions with the Bank's direct reports. Risk indicators are used at NORD/LB to identify potential risks at an early stage and counteract them by means of countermeasures. The indicators are selected on a risk-oriented basis and are regularly checked to ensure they are up-to-date.

Scenario analyses are used to gain detailed insights into the risk situation (expected loss amount and frequency) and to derive needs-based measures. The scenario portfolio is based on the Association of German Public Banks (VöB) catalogue. This also ensures the completeness of the scenario analyses. The results from the scenario analyses are input data for the internal OpVaR model.

All risks are assessed on the basis of an institution-wide risk matrix and contribute to the Bank's risk reporting. Results are reported to the Managing Board on a quarterly basis. Information that is ad hoc relevant from a risk perspective is immediately reported to the management bodies.

The Risk Round Table, established as part of integrated OpRisk Management, is a central committee at management level creating an exchange platform for OpRisk issues and thus enabling overarching management measures. The focus is on all sub-risk types attributed to OpRisk.

Employees are made aware of how to deal with operational risks through face-to-face and online training and information on the intranet. Lessons learned from cases that have arisen play an important role in this.

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

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

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

Protection against legal risks should be ensured by contract templates or close support from the legal department. To ensure that no undesirable regulatory gaps arise, DBE 14 Compliance/Group security identifies new banking regulatory requirements, informs affected units about the resulting need for action and produces cross-departmental evidence of this. In addition, DBE 14 Compliance/Group security works towards adherence to legal regulations and specifications by the departments.

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

#### *Valuation*

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

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

#### *Accounting-related ICS*

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

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

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

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

NORD/LB's accounting process is organised locally. The DBE Bank 25 Finances is responsible for the preparation of the annual and consolidated financial statements, including the combined management report in accordance with the legal requirements. Numerous items subject to mandatory posting are already recorded in upstream systems in the front and back office sections and are already subject to checks with regard to proof of completeness and valuation. In addition, there are controls in place with regard to the correct recording of data, which control the disclosure of facts and the preparation of notes.

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

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

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

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

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

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

### ***Business and strategic risk***

#### *Definition*

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

#### *Strategy and management*

Since 2020, NORD/LB has undergone a far-reaching transformation towards a lower-risk and leaner business model. Comprehensive adjustments to processes and the IT infrastructure are carried out alongside

this. The successful implementation of the transformation process has a significant impact on NORD/LB's earning power and profitability. Against this background, business and strategic risk at NORD/LB level has been classified as a significant risk type for ICAAP and ILAAP since 2020. The business and strategic risks are taken into account in the risk-bearing capacity calculation and the associated limits within the "reserve for other risks".

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

### **ESG risks**

Environmental, social and governance (ESG) risks are climate/environmental, social or governance events or conditions that may occur or have a potentially significant negative impact on the Bank's net assets, financial position, results of operations and reputation.

NORD/LB is initially focusing on climate change as a significant macroeconomic risk factor and considers itself exposed to short, medium and long-term risks in this regard. For the purposes of this "ECB Guide on Climate and Environmental Risks", the relevance of environmental and climate risks in particular was recognised and these were defined as drivers of the types of risk – which materialise primarily in counterparty risks. ESG risks are taken into account in all relevant risk types in the risk inventory. The qualitative materiality assessment of the risk drivers was differentiated over various time horizons according to physical and transitory climate and environmental risks. In the current reporting year, the risk driver analysis was expanded to include social and governance aspects as well as biodiversity and the quantification of the individual risk drivers was expanded.

As a risk driver, ESG risks are implicitly incorporated into the risk models of the material risk types. Historically observed events, such as operational losses arising from physical climate risks, could have an impact on the results of the risk models. In addition, the rating procedure includes an assessment of the borrowers' business model with regard to transitory risks. In addition to creating a climate stress test framework, the Bank also carried out an internal climate stress test in 2023 and participated in the ECB's "Fit for 55" climate risk stress test, which extends into 2024.

The previous qualitative and quantitative analyses do not show any immediate need for action to adjust the risk models, but new findings may arise from the planned further analyses (e.g. geographical analyses and stress tests). For this reason, a temporary buffer for ESG risks has been taken into account in the ICAAP since 30 September 2023 in order to take into account possible ESG risks that have not yet been fully mapped by the risk models.

NORD/LB has defined certain business activities in its guidelines, e.g. pornography or controversial weapons as well as the new construction of nuclear and coal-fired power plants and the construction of dams and hydropower plants in particularly vulnerable areas are excluded. There are also other sector-specific regulations to take ESG and reputation aspects into account in business activities.

The Bank-wide project to integrate ESG aspects was successfully completed at the end of 2023. The milestones developed in this project (e.g. the development of decarbonisation strategies for emission-intensive sectors such as aviation, real estate, energy and agriculture) were transferred to regulatory processes and to the Bank's existing ESG centres of expertise. These special organisational units bundle topic-specific central tasks in the ESG context, perform interface functions and are in regular communication with each

other. In 2023, a preliminary study was also conducted to implement the new requirements from the CSRD. A follow-up project was initiated for 2024 to address further overarching ESG issues.

### **Risk-bearing capacity**

The risk strategy and regulatory requirements (CET1, T1 and total capital) were consistently complied with in the 2023 financial year. The risk-bearing capacity was given as of 31 December 2023.

The economic perspective of risk-bearing capacity defines the CET1 capital as the maximum output value for risk capital and considers deductions from economic viewpoints, e.g. hidden liabilities and potentially an anticipation of loss. Compared with the previous year, risk capital increased by € 466 million due to the slight increase in Common Equity Tier 1 capital (+€ 97 million) and the significant decrease in hidden liabilities to be recognised by approx. € -370 million to € 271 million. The reduction is due to the fact that both the hidden liabilities from interest and those from loans decreased significantly by approx. € 127 million and € 56 million respectively and at the same time the eligible OCI result increased by € 185 million. The risk potentials also decreased compared with the last reporting date, so that as at 31 December 2023, internal risk capital of € 5.9 billion was offset by an aggregated risk position of € 2.4 billion (relating to a confidence level of 99.9 per cent). The utilisation of the risk-bearing capacity was 40 per cent.

Economic risk limits were monitored based on an approved operating limit in the amount of € 4.3 billion. As at 31 December 2023, the operating limit was utilised at 55 per cent and covered the risk positions in full. The requirements set out in the Group risk strategy in relation to the maximum permitted limit utilisation rate and allocation at material risk type level were met as at the current reporting date.

As at the reporting date, there was a visible reduction in risk potential, which is mainly due to the reduction in market price and liquidity risk potential compared with the end of 2022 and overcompensated by the increases in counterparty risk potential and the reserve for other risks. The decline in the market risk of around € 175 million resulted in particular from the discontinuation of the risk premium (VaR add-on in accordance with the Executive Board resolution of 25 October 2022) after implementing a model adjustment. Due to correlation effects, this led to an overall risk reduction at the top levels of Treasury and the NORD/LB Group. There is also a risk reduction due to changes in positions. The increased coverage of mortgage-eligible loans within the AöR in recent months has had a significant, positive effect on the free over-collateralisation in the Bank's cover registers. As the amount of covered issue potential available is taken into account for the measurement or closure of any refinancing gaps within the liquidity maturity balance sheet, the reported liquidity spread risk at Group level as at the reporting date fell compared with the end of 2022 with roughly the same strategic positioning. Counterparty risk potential increased slightly over the course of the year. Looking at the pillars, the risk (expected loss and unexpected loss) increased in the fourth quarter in particular for real estate customers, and this is largely determined by the increase in expected loss. The investment exposure increased significantly due to the individual effects of some investments, which led to a noticeable increase in the investment risk and a slight shift from credit to investment risk within the counterparty risk. In 2023, the annual periodic reparametrisation of the counterparty risk model also led to postponements and, in some cases, increases in unexpected losses in the various segments. In the case of operational risk, the risk potential increased by around € 15 million over the course of the year due to the restructuring of the scenario landscape and loss events incurred.

The still ongoing transformation of the Bank to a lower-risk and more streamlined business model has had a significant influence on the earnings power and profitability of the Bank. NORD/LB therefore decided in 2020 to count business and strategic risk as another material risk type in addition to the risk types previously defined as material (counterparty, market price, liquidity and operational risk), although the risk value did not exceed the materiality threshold. The risk is included in the risk-bearing capacity calcu-

lation as part of the "Reserve for other risks", which is part of the risk strategy. € 860 million was earmarked for the "reserve for other risks" as part of the limitation, of which € 498 million is currently allocated (of which € 143 million is for business and strategic risks). Furthermore, the business and strategic risk is monitored on a quarterly basis using defined profit & loss positions. The threshold values defined for monitoring were consistently complied with in the reporting period.

Since the reporting date of 30 September 2023, an amount of € 150 million was allocated to other risks as a temporary buffer for ESG risks in order to take into account possible ESG risks that have not yet been fully mapped by the risk models. The previous qualitative and quantitative analyses do not show any immediate need for action to adjust the risk models, but new findings may arise from the planned further analyses (e.g. geographical analyses and stress tests).

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

<b>Risk-bearing capacity<sup>1)</sup></b>	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
<b>Normative perspective</b>		
Common equity tier 1 capital (in € million)	6 147	6 051
Regulatory risk potentials (in € million)	3 246	3 211
Common equity tier 1 capital ratio (in %)	15.15%	15.07%
Tier 1 capital ratio (in %)	15.28%	15.20%
Total capital ratio (in %)	17.25%	18.54%
<b>Economic perspective</b>		
<b>Total risk potential (in € million)</b>	<b>2 374</b>	<b>2 483</b>
Counterparty risk	956	921
Market-price risk	625	800
Liquidity risk	20	62
Operational risk	275	260
Reserve for other risks	498	439
<b>Risk capital (in € million)</b>	<b>5 877</b>	<b>5 411</b>
<b>Risk capital utilisation (in %)</b>	<b>40.4</b>	<b>45.9</b>

<sup>1)</sup>Differences in totals are rounding differences.

## Credit risk in 2023

### *Analysis of the total exposure*

As at 31 December 2023, the NORD/LB Group's total exposure was € 119 billion and therefore increased by € 2 billion compared with the end of the previous year. This increase in exposure is mainly due to the transport and communication sectors (€ 1 billion) as well as the energy, water supply and mining sectors (€ 1 billion). The focus of the total exposure continued to be on the very good to good rating categories.

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

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

<b>Rating Structure<sup>1)2)</sup></b>	<b>Loans</b>	<b>Securities<sup>3)</sup></b>	<b>Derivati- ves<sup>4)</sup></b>	<b>Other<sup>5)</sup></b>	<b>Total exposure</b>	<b>Total exposure</b>
(in € million)	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec. 2022
<b>very good to good</b>	<b>61 985</b>	<b>13 203</b>	<b>1 802</b>	<b>17 834</b>	<b>94 824</b>	<b>94 189</b>
stage 1 <sup>6)</sup>	54 960	2 939	–	17 705	75 604	80 336
stage 2	6 053	39	–	44	6 137	117
fair value	972	10 225	1 802	85	13 084	13 735
<b>good / satisfactory</b>	<b>10 844</b>	<b>329</b>	<b>186</b>	<b>1 567</b>	<b>12 926</b>	<b>12 862</b>
stage 1	8 176	79	–	1 520	9 775	11 429
stage 2	2 352	111	–	47	2 510	548
fair value	316	139	186	–	641	886
<b>reasonable / satisfactory</b>	<b>4 462</b>	<b>55</b>	<b>34</b>	<b>672</b>	<b>5 223</b>	<b>4 527</b>
stage 1	2 884	–	–	636	3 520	3 825
stage 2	1 435	–	–	35	1 470	497
fair value	143	55	34	–	232	206
<b>increased risk</b>	<b>2 697</b>	<b>19</b>	<b>38</b>	<b>352</b>	<b>3 107</b>	<b>2 819</b>
stage 1	1 347	–	–	218	1 564	1 668
stage 2	1 265	7	–	129	1 401	1 084
fair value	85	13	38	6	142	67
<b>high risk</b>	<b>851</b>	<b>–</b>	<b>3</b>	<b>54</b>	<b>908</b>	<b>973</b>
stage 1	162	–	–	10	172	242
stage 2	688	–	–	44	733	698
fair value	–	–	3	–	3	33
<b>very high risk</b>	<b>608</b>	<b>–</b>	<b>2</b>	<b>40</b>	<b>650</b>	<b>819</b>
stage 1	52	–	–	1	53	89
stage 2	556	–	–	39	595	729
fair value	–	–	2	–	2	0
<b>default (=NPL)</b>	<b>1 275</b>	<b>–</b>	<b>1</b>	<b>86</b>	<b>1 363</b>	<b>862</b>
stage 3	1 183	–	–	86	1 269	839
POCI <sup>7)</sup>	1	–	–	–	1	1
fair value	91	–	1	–	92	22
<b>Total</b>	<b>82 723</b>	<b>13 606</b>	<b>2 066</b>	<b>20 605</b>	<b>119 000</b>	<b>117 051</b>
stage 1	67 581	3 017	–	20 090	90 688	97 589
stage 2	12 350	157	–	339	12 846	3 673
stage 3	1 183	–	–	86	1 269	839
POCI	1	–	–	–	1	1
fair value	1 608	10 432	2 066	91	14 196	14 949

<sup>1)</sup> The ratings are assigned on the basis of the initiative for Germany as a financial center (IFD) rating classes.

<sup>2)</sup> Differences in totals are rounding differences.

<sup>3)</sup> Includes the securities holdings of third-party issues (only banking book).

<sup>4)</sup> Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.

<sup>5)</sup> Includes other products such as pass-through and administered loans.

<sup>6)</sup> The risk provisioning stages of the impairment model are shown (net after fair-value deduction).

<sup>7)</sup> POCI = Purchased or originated credit impaired

The comparatively very high share of the best rating category (very good to good) in the total exposure remained at 80 per cent. This can be explained by the fact that business with financing institutions with good credit ratings as well as with service industries (including public authorities) has always been very important, and it is therefore also a reflection of the NORD/LB Group's risk policy. Together, this business continues to account for a significant share of the total exposure at 68 per cent (69 per cent).

Industries by impairment stage <sup>1)2)</sup> (in € million)	stage 1 <sup>3)</sup>	stage 2	stage 3	POCI <sup>4)</sup>	Fair Value	Total exposure	Total exposure
	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2022
Financing institutes / insurance companies	25 213	124	22	–	5 104	30 462	30 203
Service industries / other	33 203	10 672	747	–	6 006	50 627	50 789
Transport / communications	5 460	425	66	–	936	6 887	5 867
Manufacturing industry	4 701	632	146	1	860	6 339	6 288
Energy, water and mining	15 469	336	164	–	1 091	17 059	16 064
Trade, maintenance and repairs	3 961	122	64	–	141	4 287	4 408
Agriculture, forestry and fishing	2 036	71	40	–	1	2 148	2 172
Construction	639	464	17	–	59	1 179	1 243
Other	8	–	4	–	–	12	16
<b>Total</b>	<b>90 688</b>	<b>12 846</b>	<b>1 269</b>	<b>1</b>	<b>14 196</b>	<b>119 000</b>	<b>117 051</b>

<sup>1)</sup> As with internal reporting, allocations are made on the basis of economic criteria.

<sup>2)</sup> Differences in totals are rounding differences.

<sup>3)</sup> The risk provisioning stages of the impairment model are shown (net after fair-value deduction).

<sup>4)</sup> POCI = Purchased or originated credit impaired.

Industries by products <sup>1)2)</sup> (in € million)	Loans	Securities <sup>3)</sup>	Derivatives <sup>4)</sup>	Other <sup>5)</sup>	Total exposure	Total exposure
	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2022
Financing institutes / insurance companies	14 377	5 746	377	9 962	30 462	30 203
Service industries / other	42 278	6 458	442	1 450	50 627	50 789
Transport / communications	5 804	334	188	561	6 887	5 867
Manufacturing industry	4 891	543	247	658	6 339	6 288
Energy, water and mining	9 786	429	707	6 137	17 059	16 064
Trade, maintenance and repairs	3 875	63	77	272	4 287	4 408
Agriculture, forestry and fishing	653	–	1	1 494	2 148	2 172
Construction	1 049	32	27	71	1 179	1 243
Other	12	–	–	0	12	16
<b>Total</b>	<b>82 723</b>	<b>13 606</b>	<b>2 066</b>	<b>20 605</b>	<b>119 000</b>	<b>117 051</b>

<sup>3)</sup> As with internal reporting, allocations are made on the basis of economic criteria.

<sup>4)</sup> to <sup>5)</sup> See the preceding rating structure table.

As a result of collateral offsetting, the risk-weighted assets of material Group companies as at 31 December 2023 fell by € 6.0 billion (€ 6.9 billion), which corresponds to a share of 15 per cent (17 per cent) of the total risk exposure amount before risk reduction. This mainly involved financial collateral as well as sureties and guarantees from countries, banks, companies and mortgages to be used for netting.

Collaterals <sup>1)2)</sup> (in € million)	Loans	Securities <sup>3)</sup>	Derivatives <sup>4)</sup>	Other <sup>5)</sup>	Total exposure	Total exposure
	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2023	31 Dec.2022
Mortgages	18 544	–	–	1 443	19 987	10 673
Financial collaterals	404	–	–	12	416	386
Sureties and guarantees	3 171	20	17	394	3 602	4 081
Others	626	–	–	42	667	14

<sup>1)</sup>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.

<sup>2)</sup>to <sup>6)</sup> please see the preceding rating structure table.

The breakdown of total exposure by region shows that the eurozone accounts for a hefty 85 per cent (85 per cent) of the total exposure and remains by far the most important business region for the NORD/LB Group. Germany's share was 69 per cent (70 per cent) of the total exposure.

Regions <sup>1)2)</sup> (in € million)	Loans 31 Dec.2023	Securities <sup>3)</sup> 31 Dec.2023	Derivatives <sup>4)</sup> 31 Dec.2023	Other <sup>5)</sup> 31 Dec.2023	Total exposure 31 Dec.2023	Total exposure 31 Dec.2022
Euro countries	69 544	10 432	791	20 424	101 191	99 583
Of which: Germany	56 144	6 694	397	19 292	82 527	82 401
Other Europe	6 885	973	436	150	8 443	8 223
North America	4 203	1 585	413	0	6 201	6 097
Middle and South America	696	–	1	31	728	818
Middle East / Africa	104	–	–	–	104	128
Asia / Australia	1 289	616	427	0	2 332	2 202
<b>Total</b>	<b>82 723</b>	<b>13 606</b>	<b>2 066</b>	<b>20 605</b>	<b>119 000</b>	<b>117 051</b>

<sup>1)</sup> The figures are reported, as in the internal reports, by the country in which the borrowers are legally domiciled.

<sup>2)</sup> to <sup>5)</sup> please see the preceding Rating structure table.

The following countries were selected on the basis of rating-dependent limit utilisation and a country-specific risk assessment. The focus was then refined further based on the criterion of credit risk exposure.

The holdings in the United Kingdom amounted to € 4.5 billion (€ 4.3 billion), which was primarily divided into € 3.5 billion (€ 3.4 billion) Corporates & Others and € 1 billion (€ 0.9 billion) Financial Institutions & Insurance Companies as well as € 66 million (€ 93 million) Sovereign Exposure. In Poland, the NORD/LB Group had an exposure of € 1 billion (€ 881 million); divided into € 808 million (€ 669 million) Corporates & Others and € 128 million (€ 120 million) Financial Institutions & Insurance Companies as well as € 81 million (€ 92 million) Sovereign Exposure. In China, NORD/LB held an exposure of € 109 million (€ 155 million), consisting of € 109 million (€ 128 million) Corporates & Others and € 0 million (€ 27 million) Financial Institutions & Insurance Companies. NORD/LB currently holds portfolios of €187 million (€189 million) in Mexico and €39 million (€51 million) in Israel.

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

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

#### *Developments in the Real Estate Customers segment in the 2023 reporting year*

Within Real Estate Customers, exposure increased to €17.7 billion (€15.4 billion) in 2023. Risk provisioning expenses for the Real Estate Customers segment increased to €132 million (€23 million) in the 2023 financial year.

Due to developments in the real estate market, various analyses and measures were carried out for the Commercial Real Estate (CRE) portfolio in order to ensure appropriate risk mapping.

For the collective provisioning introduced in 2023 as another model-based trigger for stage transfer into Impairment Stage 2 under IFRS 9, all customers with financings that originated before 30 September 2023, and have a contract duration until the end of 2026 were identified as a sub-portfolio with significantly increased risk potential, from the CRE portfolio. This is due to the potentially increased refinancing risk owing to the sharp rise in interest rates and the decline in market values. The principle of collective provisioning is to transfer entire sub-portfolios to Stage 2 and thus provide for them with an increased LECL risk provision. This is done in a top-down approach if there are indications that there are correspondingly

increased default risks in a homogeneous sub-portfolio, even if this is not yet consistently reflected in the stage transfer criteria at an individual level.

The procedure described led to an increase in model-based risk provisioning of approx. € 12 million as at 31 December 2023. Approximately € 8.9 billion EAD was allocated to impairment Stage 2.

In addition to regular regulatory real estate market monitoring, random value checks were carried out as part of an ad hoc measure. Accumulated market value losses (-5.73 per cent vs the market values of the preliminary valuations) were mainly reflected in the office and retail segments. Significantly affected exposures had already been adequately risk provisioned in the course of 2023, so that no further risk provisioning requirement arose from this.

Due to market and interest rate developments, new business in 2021 and 2022 in the Commercial Real Estate division was analysed with regard to any increased risk potential, as these were so-called peak years. The expert-based analysis concludes that the majority of the portfolio has no significant or increased risks.

#### Securitisations

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

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

#### Non-performing loans (NPL)

Total NPL exposure as a share of total exposure increased during the reporting period and as at 31 December 2023 amounted to 1.15 per cent (0.74 per cent). The risk provisioning portfolio for risk provision stages 1 to 3 and POCI in the amount of € 772 million (€ 805 million) was reduced and comprises 0.6 per cent (0.7 per cent) of the total exposure. The differences to the risk provisioning amounts shown in Note (56) "Risk provisions and gross carrying amount" mainly resulted from a different scope of consolidation.

Industries Portfolio loan loss provisions <sup>1)2)</sup> (in € 000)	Stage 1 and 2	Stage 3 and POCI <sup>3)4)</sup>	Stage 1 and 2	Stage 3 <sup>3)</sup>
	31 Dec.2023	31 Dec.2023	31 Dec.2022	31 Dec.2022
Financing institutes / insurance companies	29 711	10 194	18 797	12 577
Service industries / other	209 425	139 364	204 363	148 101
Transport / communications	60 419	36 564	45 062	100 748
Manufacturing industry	40 288	39 475	59 418	37 230
Energy, water and mining	31 787	14 093	34 791	14 924
Trade, maintenance and repairs	25 600	27 465	23 437	22 047
Agriculture, forestry and fishing	24 027	14 204	30 301	19 445
Construction	23 665	8 320	9 748	8 222
Other	10 118	27 596	11 495	4 385
<b>Total</b>	<b>455 038</b>	<b>317 273</b>	<b>437 413</b>	<b>367 680</b>

<sup>1)</sup> As with internal reporting, allocations are made on the basis of economic criteria.

<sup>2)</sup> Differences in totals are rounding differences.

<sup>3)</sup> For information: the gross carrying amount of impaired NPL was € 3,045 million (€ 3,619 million).

<sup>4)</sup> POCI = Purchased or originated credit impaired.

Industries <sup>1)2)</sup> (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	Total
	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2022
Financing institutes / insurance companies	181 462	42 675	122	284	224 544	54 621
Service industries / other	125 235	113 947	3 817	35 423	278 422	163 029
Transport / communications	16 833	194	939	503	18 469	19 837
Manufacturing industry	14 040	–	698	1 145	15 883	6 546
Energy, water and mining	83 932	–	–	1 305	85 237	132 928
Trade, maintenance and repairs	151 812	15	5	13	151 845	39 174
Agriculture, forestry and fishing	50 594	–	4	2	50 600	44 785
Construction	30 030	441	2	900	31 373	13 966
<b>Total</b>	<b>653 939</b>	<b>157 272</b>	<b>5 587</b>	<b>39 575</b>	<b>856 373</b>	<b>474 904</b>

<sup>1)</sup> As with internal reporting, allocations are made on the basis of economic criteria and taking into account the provisions of IFRS accounting.

<sup>2)</sup> Differences in totals are rounding differences.

Regions Portfolio impairment <sup>1)2)</sup> (in € 000)	Stage 1 and 2	Stage 3 and POCI <sup>3)</sup>	Stage 1 and 2	Stage 3
	31 Dec. 2023	31 Dec. 2023	31 Dec. 2022	31 Dec. 2022
Euro countries	404 633	261 494	383 559	239 350
Other Europe	27 048	7 638	28 215	61 879
North America	11 857	–	11 313	12 841
Middle and South America	7 601	15 898	11 177	39 734
Middle East / Africa	1 636	–	246	–
Asia / Australia	2 264	8 328	2 903	13 777
Not allocated	–	23 915	–	98
<b>Total</b>	<b>455 038</b>	<b>317 273</b>	<b>437 413</b>	<b>367 680</b>

<sup>1)</sup> As with internal reporting, allocations are made on the basis of economic criteria and taking into account the IFRS 9 impairment accounting.

<sup>2)</sup> Differences in totals are rounding differences.

<sup>3)</sup> POCI = Purchased or originated credit impaired.

Regions <sup>1)2)</sup> (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	Total
	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2022
Euro countries	653 819	129 482	5 587	15 190	804 078	452 257
Other Europe	–	27 790	–	595	28 385	872
North America	4	–	–	–	4	4
Middle and South America	–	–	–	23 790	23 790	21 769
Middle East / Africa	–	–	–	1	1	–
Asia / Australia	116	–	–	–	116	1
<b>Total</b>	<b>653 939</b>	<b>157 272</b>	<b>5 587</b>	<b>39 575</b>	<b>856 373</b>	<b>474 904</b>

<sup>1)</sup> As with internal reporting, impairments are allocated on the basis of economic criteria.

<sup>2)</sup> Differences in totals are rounding differences.

The exposure to overdue, non-impaired receivables increased by € 381 million. The increase resulted from the addition of leasing companies to the evaluation. They had not been taken into account in the past. As regards the 76 per cent (87 per cent) of receivables that were overdue by up to a month, the NORD/LB generally assumes that they will be repaid.

If financial difficulties are emerging or have already occurred for borrowers, the Bank may agree on forbearance measures as a concession. The aim of these measures is to maintain the borrower's solvency and avoid a possible credit default. The classification as forbore exposure results in a determination of the expected loss over the remaining term (LECL) within the minimum 24-month period of good conduct. At the end of the 2023 financial year, the exposure classified as forbore in the NORD/LB Group amounted to € 1,557 million (gross carrying amount, including loan commitments), of which € 679 million was reported

as non-performing. The total increase in forborne exposure was 14 per cent (€ 188 million) compared with the previous year. The proportion of non-performing risk positions with deferral measures increased from 36 per cent in the previous year to 44 per cent in the 2023 financial year.

Material Group companies directly wrote off bad debts on loans of € 33 million in the reporting year (€ 24 million). Additions to receivables written off amounted to € 50 million (€ 42 million).

With exposures of € 133 million (€ 104 million), no loss allowance was made due to the existing collateral. For financial assets written off during the reporting period and still subject to an enforcement order, the outstanding contractual amount was € 30 million (€ 52 million).

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

#### *Sensitivity of risk provisions to future economic conditions*

In the annual financial statements, NORD/LB carries out a sensitivity analysis for parameter-based risk provisioning in stages 1 and 2, which was prepared based on a baseline, positive and negative scenario.

As at the reporting date of 31 December 2023, the following probabilities of occurrence of the three economic scenarios emerged:

Probability of occurrence	positive	base	negative	positive	base	negative
	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2022	31 Dec. 2022	31 Dec. 2022
in per cent	5	60	35	10	50	40

As at the reporting date of 31 December 2023, there was a decline in the probability of occurrence of the positive and negative scenario, based on the baseline scenario. The following tables show the assumed forecasts for the countries Germany, the USA, Great Britain and the euroland.

Scenarios <sup>1)2)</sup>	positive 2025	base 2025	negative 2025	positive 2024	base 2024	negative 2024
<b>Germany</b>						
Unemployment rate (in %)	4.8	5.3	5.4	5.0	5.6	5.6
GDP (real; Y/Y <sup>1</sup> in %)	2.2	1.6	1.9	2.7	0.8	-1.4
CPI <sup>2</sup> (in % Y/Y)	2.9	2.3	2.0	3.7	2.6	2.7
Leading index shares (DAX, % p.a.)	6.00	6.00	20.00	8.50	10.50	5.00
Short-term interest rate (3M Money market rate, in %)	3.3	2.9	1.5	4.2	3.7	1.4
Long-term interest rate (10Y Government, in %)	3.1	2.6	2.0	3.3	2.6	1.8
Exchange rate (EUR/USD)	1.12	1.09	1.06	1.11	1.08	1.06
Rate of change exchange rate (in % Y/Y)	0.90	0.90	0.00	0.90	0.40	-1.00
<b>USA</b>						
Unemployment rate (in %)	3.8	4.2	4.5	3.7	4.0	4.7
GDP (real; Y/Y <sup>1</sup> in %)	2.2	2.0	1.5	2.4	1.4	0.2
CPI <sup>2</sup> (in % Y/Y)	2.6	2.3	2.1	2.8	2.9	2.3
Leading index shares (MSCI TR USA, % p.a.)	7.00	6.50	5.00	9.00	6.00	3.00
Short-term interest rate (3M Money market rate, in %)	3.8	3.5	3.3	4.4	4.9	3.9
Long-term interest rate (10Y Government, in %)	3.3	3.0	2.7	3.6	3.8	2.9
Exchange rate (EUR/USD)	1.12	1.09	1.06	1.11	1.08	1.06
Rate of change exchange rate (in % Y/Y)	0.90	0.90	0.0	0.90	0.40	-1.00
<b>Great Britain</b>						
Unemployment rate (in %)	3.8	4.5	4.8	3.8	4.6	4.7
GDP (real; Y/Y <sup>1</sup> in %)	1.7	1.3	0.8	1.4	0.5	0.2
CPI <sup>2</sup> (in % Y/Y)	2.5	2.5	2.2	2.5	3.1	2.5
Leading index shares (FTSE 100, % p.a.)	6.50	7.00	6.00	9.50	5.00	3.00
Short-term interest rate (3M Money market rate, in %)	4.5	4.0	3.5	4.7	4.5	4
Long-term interest rate (10Y Government, in %)	3.5	3.0	2.8	3.9	3.6	3.2
Exchange rate (GBP/USD)	1.29	1.27	1.26	1.26	1.25	1.24
Rate of change exchange rate (in % Y/Y)	2.70	1.50	1.60	0.80	1.00	0.80
<b>Euroland</b>						
Unemployment rate (in %)	6.0	6.5	6.7	6.3	6.5	6.8
GDP (real; Y/Y <sup>1</sup> in %)	1.9	1.7	2.4	2.5	1.0	-1.0
CPI <sup>2</sup> (in % Y/Y)	2.7	2.2	1.8	3.5	2.4	2.5
Leading index shares (EuroStoxx 50 Perf., % p.a.)	6.50	6.00	20.00	9.50	10.00	5.00
Short-term interest rate (3M Money market rate, in %)	3.3	2.9	1.5	4.2	3.7	1.4
Long-term interest rate (10Y Government, in %)	3.1	2.6	2.0	3.3	2.6	1.8

Scenarios <sup>1)2)</sup>	positive	base	negative	positive	base	negative
Exchange rate (EUR/USD)	1.12	1.09	1.06	1.11	1.08	1.06
Rate of change exchange rate (in % Y/Y)	0.90	0.90	0.00	0.90	0.40	-1.00
<b>Global</b>						
Oil price - Brent (in USD per barrel)	84	80	80	87	84	83

<sup>1)</sup> Y/Y = year to year

<sup>2)</sup> Consumer Price Index

On the basis of these scenarios, adjustment factors are applied to the cyclically averaged PD profiles at rating module level. In the first year, these adjustment factors in the three scenarios are between 0.87 and 1.44, while in the second year they are between 0.72 and 1.36.

In the baseline scenario, there is a risk provision of € -774 million with an exposure at default of € 119,000 million, which reflects the values in the consolidated financial statements. Assuming that the positive and negative scenarios are each weighted at 100 per cent and the exposure at default from the baseline scenario remains constant, the following values result:

- If the positive scenario is weighted at 100 per cent, it results in a risk provision of -€ 740 million.
- If the negative scenario is weighted at 100 per cent, it results in a risk provision of -€ 936 million.

In the baseline scenario, the risk provisions in stages 1 and 2 include the management adjustment of around € 289 million made by the Bank at the end of 2023. In the positive and negative scenario, the management adjustment is adjusted to the underlying macroeconomic parameters. Overall, this results in an adjustment of risk provisions to the macro-economic environment, including additional hedging through the management adjustment.

#### *Outlook and ESG risks*

The NORD/LB Group will continue to monitor developments for all relevant asset classes in 2024. Based on its risk policy, the gradual enhancement of the risk model and risk management process, and the focused business strategy, the NORD/LB Group is well prepared overall. Furthermore, ESG risks continue to be analysed and taken into account in counterparty risks.

Credit risk plays a central role in the context of ESG risks. These risks are taken into account using the various instruments shown below, which must be continuously developed in line with developments in the environment and society.

ESG scores are used to classify ESG risk in the credit decision on an aggregated basis. At the risk classification level, these ESG scores supplement the proven IRBA rating procedures as an additional element by taking ESG-specific risk factors into account and systematically consolidating them in a combined ESG rating.

NORD/LB indirectly takes into account credit rating-related ESG risks in risk provisioning via credit risk parameters such as PD, ratings, LGD or real estate and collateral securities.

The significance of these risk factors or their transmission channels will be further analysed at various points in relation to the types of risk. In terms of credit risk, this issue is taken into account in the further development of both the ESG scores and the rating procedures. In 2023, NORD/LB participated in joint projects of the Landesbanks and savings banks to develop such ESG scores for the wholesale and retail business. Following the introduction of an ESG score for the retail business in 2022, an ESG score for the

wholesale business was also established in the second half of 2023. The ESG scores represent a structured ESG risk assessment at individual client level. In the event of an increased ESG score, increased ESG risks are assumed for the client, after which a more in-depth analysis must be carried out with the ESG risk drivers. In addition, NORD/LB is continuously working on gradually expanding to include other asset classes.

In addition, NORD/LB developed its own classification instrument for sustainable loans and operationalised it in 2023. In the Sustainable Loan Framework, an activity is classified as "light green" along a decision tree based on the requirements of the EU Taxonomy according to NORD/LB's own criteria, which currently focus primarily on environmental criteria. In addition, the Bank has also created criteria for the issue of sustainable bonds with its Green Bond Framework.

To reduce the financed CO<sub>2</sub> emissions, the "decarbonisation of its financing portfolio", NORD/LB is also focusing on scientifically recognised transition paths on sector decarbonisation, e.g. the "International Energy Agency". This enables the Bank to channel its financing funds specifically into sustainable financing activities and thus make a contribution to the decarbonisation goals of the Paris Agreement and the German Climate Protection Act. The focus is initially on particularly emission-intensive sectors in line with the regulatory classification. At NORD/LB, these include real estate, energy, aviation, agriculture, oil and gas, and steel. Transition paths based on physical emission intensities for these sectors were developed in 2023. An expansion to other sectors is planned for 2024.

When it comes to the implementation of climate stress analyses, following on from the successful completion of the ECB climate stress test in 2022, the Bank established a climate stress test framework in 2023 and carried out an internal climate stress test. In addition to this, the Bank also intends to integrate ESG aspects into the already existing stress scenarios.

Finally at the end of the year, based on the recognition that ESG risks can have a significant impact on NORD/LB's risk potential, an additional amount was allocated to the reserve in the risk inventory for other risks. This buffer is intended to take into account possible ESG risks that have not yet been fully mapped by the risk models.

In the area of credit risks, the Bank continued to work on further developing the key risk indicators introduced in 2022 on the proportion of high-risk sectors or areas with regard to physical and transitory risks. NORD/LB defines high-risk sectors as sectors that are characterised by increased climate and environmental risks in the form of physical and transitory risks and in which the Bank holds a significant share in the portfolio. High-risk sectors currently include agriculture, food, real estate, aviation and non-renewable energy. The identification of high-risk sectors is updated annually. For financing in high-risk sectors, additional sector analyses are carried out with the aim of analysing the effects of climate and environmental risks on the borrower. On this basis, suitable management impulses should be derived for monitoring and controlling the portfolio in the future.

### **Equity investment risk in 2023**

To reduce complexity in the Group and lower capital commitment and potential risks from investments, NORD/LB has in recent years, based on a critical assessment of its equity investment portfolio, divested itself of numerous investments that were neither strategically significant nor met the return expectations. This long-term strategy, which has since been implemented to a large extent, was continued during the reporting year. Once again, smaller individual investments were sold or liquidated. There were no major new additions.

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 € 358.7 million (€ 341.0 million for unexpected loss and € 17.7 million for expected loss). This was a significant increase of € 102.2 million compared with the last reporting date. This increase was mainly a result of the rise in unexpected loss (+ € 100.2 million). The reason for this was the € 115.8 million increase in the investment exposure compared with the previous year due to the significant increase in the value of two investments.

The adequacy of the parameters used for the equity investment analysis concept of NORD/LB was reviewed regularly. No anomalies were identified in the result. The materiality thresholds of the equity investment classification concept, which remained the same as the previous year, were determined as at 02 November 2022. New significant equity investments were not identified. The only remaining significant investment, NORD/LB Luxembourg, is being looked at in view of the existing risks. As at 31 December 2023, there were also twelve significant equity investments that were relevant for the risk-bearing capacity of NORD/LB.

#### *Outlook*

The main tasks for 2024 for equity investment management will remain the optimisation of the equity investment portfolio with regard to the strategic benefits for the Bank's business model and NORD/LB's return expectations, as well as the support of the strategic business segments and their strategic initiatives. In addition, the targeted establishment and expansion of selected affiliated companies is intended to secure and improve the market position and thus support the Bank's business model.

#### **Market price risk in 2023**

The year 2023 was characterised by high interest rate volatility in both the eurozone and the US dollar area. Especially in the first quarter, there were more turbulent movements as a result of the problems of some US banks and Credit Suisse Bank, which was eventually taken over by UBS Bank. Rising interest rates were observed in the second and third quarter, while the fourth quarter was characterised by sharply falling interest rates.

Credit spreads widened significantly at the beginning of March due to the market turbulence described above, but then tightened again during the course of the year, which meant credit spreads at the end of the year were below the level of the previous year.

Cross-currency basis spreads between US dollar and euro interest rates widened slightly compared with the end of the previous year.

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

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

As at 31 December 2023, the VaR calculated for NORD/LB in the economic perspective amounted to € 625 million. This corresponded to a decline of € 175 million compared with the end of the prior year (€ 800 million). The limit utilisation was 44 per cent as at the reporting date.

The decline in market risk was due in particular to the implementation of a model adjustment at the end of March. As part of the model validation, an underestimation of the risk in operational management was determined for the "NORD/LB Interest Book Management" portfolio as a result of the sharp rise in interest rates in 2022. Until the model adjustment is implemented, a VaR add-on was added to the calculated risk values of the "NORD/LB Interest Book Management" portfolio. After the model adjustment, there was an increase in risk potential in the economic perspective and in operational management. The VaR add-on was accordingly no longer taken into account from when the model adjustment was implemented on 30 March 2023. Due to the conservative nature of the VaR add-on, this led to an overall risk reduction at Group level. In addition, risks decreased during the year due to changes in positions.

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

Market price risks <sup>1)</sup> in € million	Economic Perspective				
	31 Dec. 2023	30 Sep. 2023	30 Jun. 2023	31 Mar. 2023	31 Dec. 2022
Interest rate risk	313	325	377	359	353
Credit-spread-risk	493	477	469	519	412
Currency risk	32	36	41	48	50
Volatility risk	9	5	9	9	7
Other add-ons	3	1	3	6	214
<b>Total risk<sup>2)</sup></b>	<b>625</b>	<b>561</b>	<b>677</b>	<b>711</b>	<b>800</b>

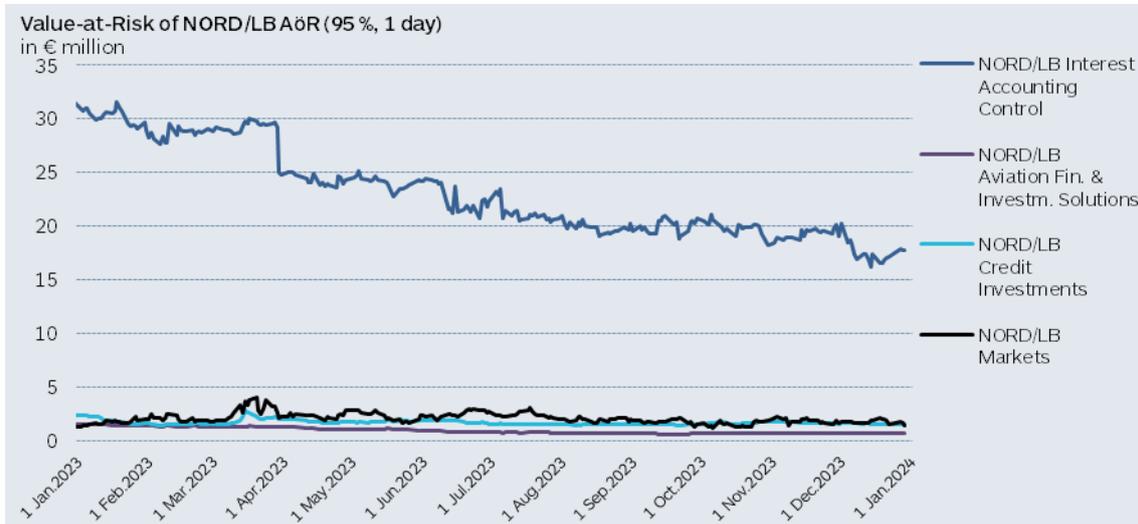
<sup>1)</sup> Value at Risk (99.9 per cent; 250 days holding period).

<sup>2)</sup> Due to diversification effects, the overall risk is smaller than the sum of the individual risks.

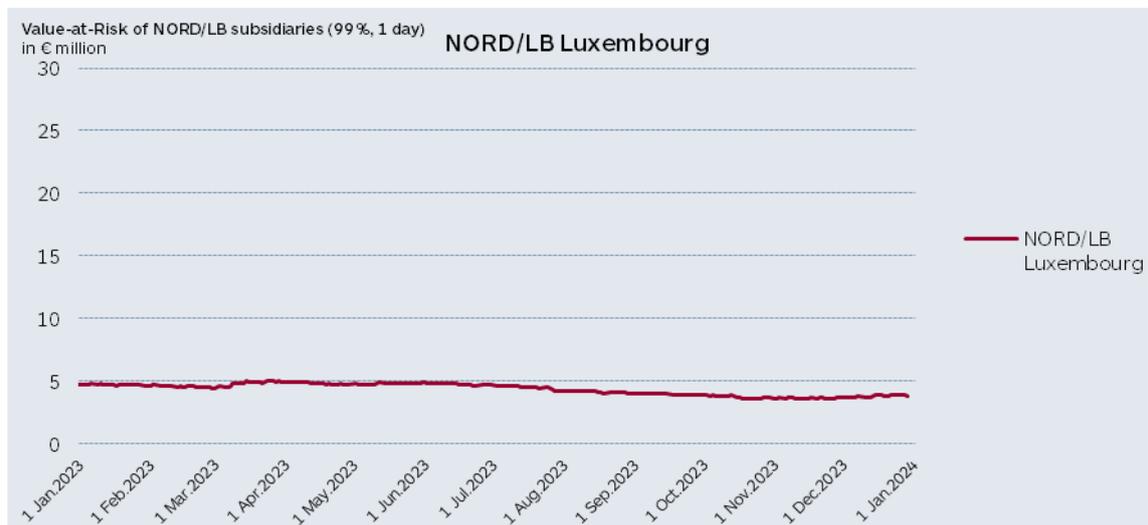
The operational limiting of the individual sub-portfolios in the trade and treasury section of the relevant units of NORD/LB is set via corresponding sub-limits, which are derived from the total limit for market risks for NORD/LB. The operational limiting of the corresponding VaR ratios is implemented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

Both of the charts below show the change in the correlated Value at Risk, as calculated each day, in the present value perspective (economic perspective) since 1 January 2022 for the key sub-portfolios of the relevant units of the NORD/LB Group. For NORD/LB AöR, a confidence level of 95% per cent and holding period of one trading day is applied for operational limiting.

The decline in risk in the "NORD/LB Interest Book Management" portfolio at the beginning of September 2022 was due to the closure of a strategic interest position. The increase at the end of October was due to the introduction of the aforementioned VaR add-on. The risk reduction at the end of March in 2023 resulted from a model change and the associated discontinuation of the VaR add-on. As 2023 rolled on, the risks fell due to the omission of scenarios from the 250-day look-back period.



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



The impact of climate and environmental risks on NORD/LB Group's market risk is currently rated as low overall. The investment guidelines ensure ESG aspects are taken into account when making investment decisions.

For monitoring and controlling purposes, a stress test for climate and environmental risks in market risk is carried out on a quarterly basis and the result is reported to the Managing Board. The scenario for the climate and environmental stress test was adapted by the ECB climate stress test ("Short-term disorderly 2022"). This is a credit spread scenario based on the statistical classification of economic activities in the European Community (NACE). A strong expansion of credit spreads for the mining, energy supply and

manufacturing sectors in the context of coal and oil products and mineral products is assumed, as well as small to moderate credit spread movements in other sectors.

In addition, the share of net credit exposure in high-risk sectors is also calculated quarterly and the result is reported to the Managing Board. The basis of this analysis is a mapping of NACE codes to the associated products.

### *Outlook*

In 2024, NORD/LB will continue to monitor market developments carefully for all relevant asset classes and adjust the positioning if required. Due to the risk policy, the gradual enhancement of risk models and the risk management process as well as the focussed trading strategy, NORD/LB is also well prepared for volatile market phases.

In 2024, a project will be carried out to further develop various market risk topics. The focus is on regulatory requirements in the context of Interest Rate Risk in the Banking Book (IRRBB), Credit Spread Risk in the Banking Book (CSRBB) and Fundamental Review of the Trading Book (FRTB).

### **Liquidity risk in 2023**

There was sufficient liquidity on the money and capital markets throughout the reporting period despite the persistent inflation, interest rate increases and the resulting inverse yield structure as well as crises at individual banks. As in the previous year, market interest in uncovered issues focussed on shorter maturities until the fourth quarter due to the interest rate hikes implemented and expected by the central bank.

NORD/LB's liquidity situation proved to be sufficient throughout the reporting period. As in the previous year, the risk of market-wide negative developments and the resulting risks for the institution's overall credit portfolio and deposits were taken into account in the liquidity stress tests and consequently in the management of liquidity. Developments were closely monitored on an ongoing basis and regularly reassessed. The stress scenarios over the course of 2023 initially took into account the effects of further rising inflation expectations, but then shifted to economic concerns and the risks from global geopolitical tensions. In particular, risks from interest rate increases, the associated difficulty in acquiring long-term liquidity, the increased interest rate sensitivity of customers, crises at individual banks and an economic downturn with the imminent risk of increased credit defaults were decisive for the scenario.

In 2023, the internal liquidity stress scenario relevant for management purposes was managed for NORD/LB entirely in the green phase, both at Group level and in AöR, and indicated an adequate liquidity situation as at the reporting date. The liquidity buffers according to MaRisk for at least one week and at least one month were complied with at all times. As at the reporting date, NORD/LB's cumulative liquidity maturity balance sheet shows liquidity gaps, with the exception of the maturity ranges "up to 4 years" and "up to 5 years", which are the greatest in the ranges "up to 1 year" and "up to 2 years". Liquidity surpluses can be seen in the ranges "up to 4 years" and "up to 5 years". Compared with the previous year, the liquidity maturity balance sheet shows improvements in all maturities except for the maturity range "up to 2 years". The changes in the liquidity maturity balance sheet resulted primarily from the issue of bearer and registered securities in the course of 2023 with maturities between five and ten years in the amount of approx. € 1.3 billion and with maturities greater than ten years in the amount of approx. € 770 million. In addition, in 2023, more loans were submitted to the Bundesbank via the MACCs procedure as collateral than in the previous year. The liquidity gaps were within the limits derived from the risk-bearing capacity model. At NORD/LB level, the limits were respected in the reporting year, both when taking all currencies into account and when taking the major individual currencies into account. At the level of NORD/LB AöR,

there were overruns in a foreign currency on two reporting dates, which were supported by measures as part of the escalation process and promptly reversed.

Methodological adaptations were made in the reporting year. In classic liquidity risk, the modelling of sight deposit deductions and covered issue potentials was improved. The model representation of the liquidity buffer for repo transactions was changed in the liquidity progress review.



The refinancing of the NORD/LB Group is mainly made up of liabilities to banks at 24 per cent (26 per cent), to customers at 45 per cent (44 per cent) and securitised liabilities at 20 per cent (19 per cent).

In addition to unsecured securities, NORD/LB also used secured securities, including public-sector Pfandbriefs in euros and US dollars and real estate Pfandbriefs. There was a total of € 25 billion (€ 25 billion) in mortgage bonds in circulation (including legacy Pfandbriefs issued prior to the entry into force of the Pfandbriefs Act and Lettres de Gage issued under Luxembourg law) of which mortgage Pfandbriefs make up the largest share.

NORD/LB is active in highly liquid markets and maintains a portfolio of high-quality securities and promissory note loans. As at the reporting date, the material (individual) institutions of NORD/LB held securities and promissory note loans worth € 20 billion (€ 19 billion), of which 81 per cent (79 per cent) were suitable for repo transactions with the European Central Bank (ECB).

Through close monitoring of the markets and active liquidity management, the NORD/LB Group ensured that it had sufficient liquidity at all times during the reporting year. As at 31 December 2023, the liquidity coverage ratio (LCR) was 165.4 per cent (138.6 per cent).

#### Outlook

New business volumes of a comparable size to the previous year are expected for 2024. Further interest rate and economic developments will have a significant impact on refinancing conditions and may also be reflected in the available maturities and qualities. Geopolitical tensions continue to create uncertainties in the markets and also put an additional strain on the economy as a whole. It is therefore particularly important to monitor developments closely and to assess whether stress scenarios are up-to-date, even if

liquidity bottlenecks are still unlikely. Therefore, the focus will remain on qualitatively managing liquidity in an uncertain profitability environment and incorporating developments resulting from interest rate uncertainties at an early stage. Furthermore, the total assets target for the coming years must continue to be observed in compliance with the key performance indicators. Climate and environmental risks as well as social aspects are gaining greater relevance as risk drivers in the liquidity risk assessment. NORD/LB is aiming for a progressive focus on green products as well as a significant increase in the proportion of green emissions, which has already started successfully with the issuance of the first unsecured green benchmark bond in January 2024.

### **Operational risk in 2023**

NORD/LB uses the standard approach of CRD IV (Pillar I) to calculate the capital adequacy requirement. At Group level, this requirement as at 31 December 2023 amounted to € 168 million (€ 196 million).

In 2023, particular attention was paid to various topical issues relating to operational risks, including the consideration of ESG risk drivers and the management of IT risks.

NORD/LB's total loss from operational risks amounted to € 31 million (€ 14.2 million) as at the reporting date. The reasons for this were provisions set aside for legal risks, errors in the performance of other tasks and the underperformance of external service providers. Appropriate measures were taken in this regard as part of loss events processing in order to reduce the risk of similar claims in the future.

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

### *Outlook*

The developments in the geopolitical situation, in particular the operational risks from cyber threats, will continue to present particular challenges for 2024. This is addressed on an ongoing basis as part of the update of the OpRisk scenario landscape. In addition, IT risks and risks arising from outsourcing are closely monitored. The major headcount reduction at the turn of the year 2023/2024 has not yet had any negative effects across the board. Due to the mitigating measures, no operational risk from the staff reduction is expected for the remainder of the year.

The materiality analysis of the ESG impacts on operational risk introduced in the previous year is also to be carried out in 2024. To date, climate and environmental risks as well as social aspects in particular have been identified as relevant risk drivers for operational risk. Any findings from the ECB's current cyber stress test and supervisory audits in the context of operational risks will continue to be used to further develop the OpRisk methodology.

## Summary of the Risk Situation

As at the reporting date, NORD/LB's total exposure increased by € 2 billion compared with the previous year to € 119 billion. The quality of the loan portfolio was constant in the reporting year from the perspective of the Bank. This can be derived from a very high relative exposure share in the best rating class (very good to good) in the reporting period.

In line with expectations, the macroeconomic situation did not have any significant negative effects on portfolio quality or the Group's risk situation. As at 31 December 2023, the NORD/LB Group utilised the management adjustment formed in order to take into account in the balance sheet the uncertainties over the macroeconomic developments and the resulting potential impact on borrower credit quality.

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

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

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

NORD/LB met the minimum regulatory capital ratios at Group level at all times in the reporting period. All regulatory equity ratios were at a consistently good level. The Common Equity Tier 1 ratio stood at 15.15 per cent (14.16 per cent) as at the reporting date.

The risk-bearing capacity was met as at 31 December 2023.

## 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 2022 or as at 31 December 2022 are shown in brackets.

### Earnings position

NORD/LB AöR's earnings position in the 2023 reporting year was impacted in particular by the positive performance in net interest income, net commission income and valuation result from receivables, securities and investments, with a simultaneous decline in income from financial transactions in the trading portfolio.

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

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
Net interest income	1 173	960	22
Net commission income	237	206	15
Earnings from financial transactions in the trading portfolio	20	176	- 89
Administrative expenses	- 956	- 982	- 3
Depreciation and value adjustments on intangible assets and property, plant and equipment	- 26	- 46	- 43
Other profit / loss	30	- 84	> 100
<b>Operating result before loan loss provisions / valuation</b>	<b>478</b>	<b>230</b>	<b>&gt; 100</b>
Valuation result receivables, securities and participations	104	- 134	> 100
which of: Assumption of investment losses	- 1	- 6	- 89
<b>Operating result after loan loss provisions / valuation</b>	<b>581</b>	<b>90</b>	<b>&gt; 100</b>
Extraordinary result	- 35	- 72	- 52
Tax expense (previous year: tax income)	- 66	- 51	29
Income from loss assumptions	-	-	-
<b>Annual net income (previous year: annual deficit)</b>	<b>481</b>	<b>- 33</b>	<b>&gt; 100</b>

In the 2023 reporting year, the operating result after risk provisions/valuation increased significantly by € 491 million to € 581 million (€ 90 million). After taking into account the extraordinary result and the tax expenses, there was **net income for the year** of € 481 million (loss for the year of € 33 million).

**Net interest income** increased by € 213 million to € 1,173 million (€ 960 million) compared with the same period in the previous year. The increase in interest income is due on the one hand to higher receivables in the credit and money market business and with the Bundesbank. On the other hand, the higher interest rates for large parts of the financial year contributed to an increase in net interest income. On the other hand, higher interest expenses, in particular for overnight and term deposits, are due to an increase in business volume and the higher interest rate level. Interest income from the trading portfolio also increased due to the higher interest rate level.

At € 237 million, **net commission income** was significantly higher than in the previous year (€ 206 million). The change was due primarily to the reduction of the guarantee commissions expenses as a result of lower fees for the guarantees of the State of Lower Saxony (€ -20 million) and lower expenses for the terminated securitisation transaction Northwest II (€ -11 million).

At € 20 million, the **result from financial transactions** in the trading portfolio was significantly below the previous year's value of € 176 million. The decline resulted from the negative valuation result for derivatives due to the changed interest rate level, which was only partially offset by the interest-induced positive result from securities and receivables.

**Administrative expenses** amounted to € -956 million (€ -982 million). Personnel expenses decreased to € -444 million (€ -483 million) as a result of the ongoing transformation project. On the other hand, other administrative expenses increased by € 13 million, in particular due to higher service, consultancy and building costs. This is offset by declining IT expenses.

**Expenses for depreciation and write-downs on intangible assets and property and equipment** fell to € -26 million (€ -46 million). This development is mainly due to the lower amortisation on software due to the extension of the useful life.

**Other operating profit/loss** reported earnings in the reporting year of € 30 million (€ -84 million). The increase is mainly due to the one-off full write-off of the subsidies to the support contract of the State of Lower Saxony in the previous year and lower exchange rate losses from the repurchase of debt securities. In the case of income, positive effects resulted primarily from the discount rate-related reversal of provisions for pensions and benefits.

The **valuation result from receivables, securities and investments** in the amount of € 104 million (€ -134 million) was mainly attributable to price gains from securities in the liquidity reserve due to the lower interest rate level in the medium and long-term maturity bands. Further positive effects resulted from the higher valuation of LBS NordWest following the merger of LBS Nord and LBS West. This is offset by higher expenses from the recognition of specific and general loan loss provisions.

The **extraordinary result** of € -35 million (€ -72 million) mainly included expenses for restructuring and transformation measures, mainly from strategy, IT and legal consulting.

The **tax expenditure** of € -66 million (€ -51 million) resulted from an expense for taxes on income and earnings of € -51 million and an expense for other taxes of € -15 million. Expenses for other taxes were primarily due to value added tax.

## Net assets and financial position

Balance sheet values are summarised as follows:

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
<b>Assets</b>			
Loans and advances to banks	18 366	17 376	6
Loans and advances to customers	68 081	66 071	3
Securities	13 456	13 598	- 1
Trading portfolio	13 123	17 801	- 26
Participations and shares in companies	620	596	4
Other assets	4 423	5 867	- 25
<b>Total assets</b>	<b>118 069</b>	<b>121 309</b>	<b>- 3</b>
<b>Liabilities</b>			
Liabilities to banks	28 250	29 467	- 4
Liabilities to customers	48 773	46 824	4
Securitised liabilities	20 209	17 614	15
Trading portfolio	7 891	12 805	- 38
Provisions	1 855	1 957	- 5
Subordinated liabilities	1 646	2 046	- 20
Liable funds	5 946	5 648	5
Other liabilities	3 500	4 948	- 29
<b>Total liabilities</b>	<b>118 069</b>	<b>121 309</b>	<b>- 3</b>
<b>Balance sheet notes</b>			
Contingent liabilities	8 915	10 715	- 17
Other obligations	12 018	12 559	- 4
<b>Business volume</b>	<b>139 002</b>	<b>144 583</b>	<b>- 4</b>

**Total assets** decreased by € 3,240 million to € 118,069 million in the reporting period. Despite the positive performance of new business, this is mainly due to interest-related changes in market values in the Bank's trading portfolios.

**Loans and advances to banks** amounted to € 18,366 million (€ 17,376 million). In particular, these were municipal loans, which increased to € 15,105 million (€ 14,174 million), compared with the previous year.

**Loans and advances to customers** remained the largest balance sheet item at € 68,081 million (€ 66,071 million). They are divided into mortgage loans in the amount of € 15,365 million (€ 15,341 million), municipal loans in the amount of € 13,922 million (€ 14,742 million) and other receivables in the amount of € 38,794 million (€ 35,988 million). The increase in accounts receivable from customers of € 2,010 million was mainly due to additions in the wholesale loan sector.

At € 13,456 million (€ 13,598 million), **the securities portfolio** was almost at the previous year's level.

The active **trading portfolio** reduced significantly to € 13,123 million (€ 17,801 million). This was due in particular to a risk-neutral reversal of opposing derivative positions and the decline in the positive fair values of the payer swaps in interest rate derivatives, due to lower medium and long-term yield levels.

The € 24 million increase in **participations and shares in affiliated companies** was mainly due to effects related to the merger of LBS Nord and LBS West.

**Other assets** included the cash reserve, assets held in trust, accruals and deferrals, and other types of assets. The decline resulted in particular from changes in trust assets due to the carve-out of the investment bank Saxony-Anhalt (in 2022: € 1,566.7 million).

**Liabilities to banks** decreased by € 1,217 million to € 28,250 million (€ 29,467 million). This was mainly due to a lower volume on the clearing accounts of banks.

**Liabilities to customers** increased by € 1,949 million to € 48,773 million (€ 46,824 million) and mainly included other liabilities of € 38,499 million (€ 35,449 million). Their increase is due in particular to the increase in the portfolio of term deposits. On the other hand, there was a decline in own issues, which was mainly attributable to registered public Pfandbriefe issued in the amount of € 8,582 million (€ 9,417 million).

The increase in **securitised liabilities** by € 2,595 million to € 20,209 million (€ 17,614 million) is reflected in the increase in own issues. Overall, the volume of new issues over the course of the year at € 5,500 million was above the total maturities of € 3,080 million.

The significant decline in the **trading portfolio** on the liabilities side of € -4,914 million to € 7,891 million (€ 12,805 million) resulted from a risk-neutral reversal of opposing derivative positions and a decline in the negative fair values of the receiver swaps in the interest rate derivatives due to lower medium and long-term interest rate levels.

**Provisions** with a total volume of € 1,855 million (€ 1,957 million) were divided into provisions for pensions and other obligations in the amount of € 815 million (€ 854 million), tax provisions in the amount of € 96 million (€ 95 million) and other provisions in the amount of € 944 million (€ 1,008 million). The reduction in the total volume was mainly due to the decline in pension provisions due to interest rates of € 39 million and in the area of other provisions from the decline in other personnel provisions of € 60 million, in particular for provisions for transitional payments and pensioners' benefits.

The **other liabilities position** included in particular fiduciary obligations, other liabilities, accruals and deferrals and the fund for general banking risks. The decline here was due in particular to changes in fiduciary obligations caused by the carve-out of the investment bank Saxony-Anhalt (in 2022: € 1,566.7 million).

The increase in **equity** was mainly due to the net income for the year of € 481 million and the guarantee commissions by the State of Lower Saxony. The remaining silent contributions were repaid as planned.

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



## Consolidated Financial Statements

Income Statement

Statement of Comprehensive Income

Balance Sheet

Statement of Changes in Equity

Cash Flow Statement

Notes to the Consolidated Financial Statements

## Income Statement

	Notes	1 Jan.-31 Dec. 2023 (in € million)	1 Jan.-31 Dec. 2022 (in € million)	Change (in %)
<b>Interest income from assets</b>		<b>6 402</b>	<b>3 643</b>	<b>76</b>
<i>of which: interest income calculated using the effective interest method</i>		<i>3 083</i>	<i>1 894</i>	<i>63</i>
<b>Interest expenses from assets</b>		<b>- 1</b>	<b>- 30</b>	<b>- 97</b>
<b>Interest expenses from liabilities</b>		<b>- 5 326</b>	<b>- 2 767</b>	<b>92</b>
<b>Interest income from liabilities</b>		<b>1</b>	<b>50</b>	<b>- 97</b>
<i>of which: interest income calculated using the effective interest method</i>		<i>1</i>	<i>50</i>	<i>- 97</i>
<b>Net interest income</b>	<b>22</b>	<b>1 076</b>	<b>896</b>	<b>20</b>
<b>Commission income</b>		<b>278</b>	<b>268</b>	<b>4</b>
<b>Commission expenses</b>		<b>- 70</b>	<b>- 102</b>	<b>- 32</b>
<b>Net commission income</b>	<b>23</b>	<b>209</b>	<b>166</b>	<b>26</b>
<b>Profit/loss from fair value measurement</b>	<b>24</b>	<b>- 105</b>	<b>- 104</b>	<b>1</b>
<b>Risk provisions</b>	<b>25</b>	<b>- 99</b>	<b>142</b>	<b>&gt; 100</b>
<b>Disposal profit/loss from financial instruments not measured at fair value through profit or loss<sup>1)</sup></b>	<b>26</b>	<b>14</b>	<b>- 33</b>	<b>&gt; 100</b>
<b>Profit/loss from hedge accounting</b>	<b>27</b>	<b>19</b>	<b>20</b>	<b>- 3</b>
<b>Profit/loss from shares in companies</b>	<b>28</b>	<b>94</b>	<b>7</b>	<b>&gt; 100</b>
<b>Profit/loss from investments accounted for using the equity method<sup>3)</sup></b>	<b>29</b>	<b>4</b>	<b>34</b>	<b>- 88</b>
<b>Administrative expenses</b>	<b>30</b>	<b>- 908</b>	<b>- 909</b>	<b>- 0</b>
<b>Other operating profit/loss</b>	<b>31</b>	<b>18</b>	<b>- 48</b>	<b>&gt; 100</b>
<b>Earnings before restructuring, transformation and taxes</b>		<b>322</b>	<b>171</b>	<b>88</b>
<b>Profit/loss from restructuring and transformation</b>	<b>32</b>	<b>- 52</b>	<b>- 67</b>	<b>- 23</b>
<b>Earnings before taxes</b>		<b>271</b>	<b>104</b>	<b>&gt; 100</b>
<b>Income taxes</b>	<b>33</b>	<b>- 47</b>	<b>- 15</b>	<b>&gt; 100</b>
<b>Consolidated profit/loss</b>		<b>224</b>	<b>89</b>	<b>&gt; 100</b>
<i>of which: attributable to the owners of NORD/LB</i>		<i>224</i>	<i>89</i>	

<sup>1)</sup> The sale of financial assets measured at amortised cost produced a gain of 12 Mio € (3 Mio €) and a loss of -4 Mio € (-4 Mio €).

<sup>2)</sup> The share of the profit or loss of companies accounted for using the equity method was € 0 million (€ -28 million).

## Statement of Comprehensive Income

The statement of comprehensive income for the 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. 2023 (in € million)	1 Jan.-31 Dec. 2022 (in € million)	Change (in %)
<b>Consolidated profit/loss</b>	<b>224</b>	<b>89</b>	<b>&gt; 100</b>
<b>Other comprehensive income which is not reclassified to the income statement in subsequent periods</b>			
Investments accounted for using the equity method - Share of other comprehensive income	0	- 109	> 100
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	145	187	- 22
Revaluation of the net liability from defined benefit pension plans	- 200	1 027	> 100
Deferred taxes	15	- 121	> 100
	- 41	984	> 100
<b>Other comprehensive income which is reclassified to the income statement in subsequent periods</b>			
Changes in financial assets at fair value through other comprehensive income			
Unrealised profits/losses	382	- 1 216	> 100
Reclassification due to profit/loss realisation	- 28	367	> 100
Investments accounted for using the equity method - Share of other comprehensive income	28	36	- 23
Translation differences of foreign business units			
Unrealised profit / losses	1	-	-
Deferred taxes	- 24	148	> 100
	360	- 665	> 100
<b>Other comprehensive income</b>	<b>319</b>	<b>319</b>	<b>0</b>
<b>Comprehensive income for the period under review</b>	<b>543</b>	<b>408</b>	<b>33</b>
of which: attributable to the owners of NORD/LB	543	408	

## Balance Sheet

Assets	Notes	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Cash reserve	34	3 435	2 464	39
Trading assets	35	7 442	7 641	- 3
<i>of which: Loans and advances to customers</i>		1 224	1 260	- 3
Financial assets mandatorily at fair value through profit or loss	35	604	722	- 16
<i>of which: Loans and advances to banks</i>		46	43	6
<i>of which: Loans and advances to customers</i>		157	210	- 25
Financial assets at fair value through other comprehensive income	36	10 708	10 633	1
<i>of which: Loans and advances to banks</i>		130	174	- 25
<i>of which: Loans and advances to customers</i>		271	267	1
Financial assets at amortised cost	37	87 697	86 033	2
<i>of which: Loans and advances to banks</i>		13 228	12 890	3
<i>of which: Loans and advances to customers</i>		71 543	69 968	2
Positive fair values from hedge accounting derivatives	38	146	198	- 26
Balancing item for financial instruments hedged in the portfolio fair value hedge	39	- 149	- 227	- 34
Shares in companies	40	574	344	67
Investments accounted for using the equity method		57	56	2
Property and equipment	41	212	280	- 24
Investment property	42	179	143	25
Intangible assets	43	84	89	- 6
Assets held for sale		-	-	-
Current income tax assets	44	13	21	- 38
Deferred income taxes	44	439	439	-
Other assets	45	541	489	11
<b>Total assets</b>		<b>111 981</b>	<b>109 325</b>	<b>2</b>

<b>Liabilities</b>	Notes	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Trading liabilities	46	2 333	3 289	- 29
Financial liabilities designated at fair value through profit or loss	46	4 139	4 481	- 8
<i>of which: Liabilities to banks</i>		259	261	- 1
<i>of which: Liabilities to customers</i>		2 925	2 667	10
<i>of which: Securitised liabilities</i>		955	1 553	- 39
Financial liabilities at amortised cost	47	96 125	93 342	3
<i>of which: Liabilities to banks</i>		27 141	28 403	- 4
<i>of which: Liabilities to customers</i>		47 006	45 308	4
<i>of which: Securitised liabilities</i>		21 886	19 423	13
<i>of which: Subordinated liabilities</i>		1 657	2 263	- 27
Negative fair values from hedge accounting derivatives	48	385	438	- 12
Balancing item for financial instruments hedged in the portfolio fair value hedge	49	- 848	- 1 298	- 35
Provisions	50	2 641	2 433	9
Current income tax liabilities	51	44	59	- 26
Deferred income taxes	51	11	10	11
Other liabilities	52	287	271	6
<b>Equity</b>	<b>53</b>			
Issued capital		3 168	3 137	1
Capital reserve		2 579	2 579	0
Retained earnings		1 266	1 060	19
Accumulated other comprehensive income (OCI)		- 188	- 519	- 64
Currency translation reserve		- 10	- 9	12
<b>Equity capital attributable to the owners of NORD/LB</b>		<b>6 815</b>	<b>6 248</b>	<b>9</b>
Additional equity		49	50	- 1
Equity capital attributable to non-controlling interests		0	2	- 100
		<b>6 865</b>	<b>6 300</b>	<b>9</b>
<b>Total liabilities</b>		<b>111 981</b>	<b>109 325</b>	<b>2</b>

## Statement of Changes in Equity

The individual components of equity as well as the performance of these components in 2023 and 2022 can be seen in the following statement of changes in equity:

	Issued capital	Capital reserve	Retained earnings	Accumulated OCI	Currency translation reserve	Equity capital attributable to the owners of NORD/LB	Additional equity	Equity capital attributable to non-controlling interests	Consolidated equity
<b>(in € million)</b>									
<b>Equity as at 1 Jan 2023</b>	<b>3 137</b>	<b>2 579</b>	<b>1 060</b>	<b>- 519</b>	<b>- 9</b>	<b>6 248</b>	<b>50</b>	<b>2</b>	<b>6 300</b>
Consolidated profit/loss	-	-	224	-	-	224	-	- 0	224
Changes in financial assets at fair value through other comprehensive income	-	-	-	355	-	355	-	-	355
Investments accounted for using the equity method - Share of other comprehensive income	-	-	-	28	-	28	-	-	28
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	-	-	-	145	-	145	-	-	145
Revaluation of the net liability from defined benefit pension plans	-	-	-	- 200	-	- 200	-	-	- 200
Translation differences of foreign business units	-	-	-	-	1	1	-	- 0	1
Deferred taxes	-	-	-	- 9	-	- 9	-	-	- 9
Other comprehensive income	-	-	-	318	1	319	-	- 0	319
<b>Comprehensive income for the period under review</b>	<b>-</b>	<b>-</b>	<b>224</b>	<b>318</b>	<b>1</b>	<b>543</b>	<b>-</b>	<b>- 0</b>	<b>543</b>
Capital increases / decreases	31	-	-	-	-	31	-	-	31
Changes in the basis of consolidation	-	-	- 6	5	- 2	- 2	-	- 2	- 4
Other changes in capital	- 0	0	- 13	8	- 0	- 6	- 0	- 0	- 6
<b>Equity as at 31 Dec 2023</b>	<b>3 168</b>	<b>2 579</b>	<b>1 266</b>	<b>- 188</b>	<b>- 10</b>	<b>6 815</b>	<b>49</b>	<b>0</b>	<b>6 865</b>
<b>(in € million)</b>									
	Issued capital	Capital reserve	Retained earnings	Accumulated OCI	Currency translation reserve	Equity capital attributable to the owners of NORD/LB	Additional equity	Equity capital attributable to non-controlling interests	Consolidated equity
<b>Equity as at 1 Jan 2022</b>	<b>3 083</b>	<b>2 589</b>	<b>986</b>	<b>- 853</b>	<b>- 9</b>	<b>5 796</b>	<b>50</b>	<b>2</b>	<b>5 848</b>
Consolidated profit/loss	-	-	89	-	-	89	-	-	89
Changes in financial assets at fair value through other comprehensive income	-	-	-	- 849	-	- 849	-	-	- 849
Investments accounted for using the equity method - Share of other comprehensive income	-	-	-	- 73	-	- 73	-	-	- 73
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	-	-	-	187	-	187	-	-	187
Revaluation of the net liability from defined benefit pension plans	-	-	-	1 027	-	1 027	-	-	1 027
Deferred taxes	-	-	-	27	-	27	-	-	27
Other comprehensive income	-	-	-	319	-	319	-	-	319
<b>Comprehensive income for the period under review</b>	<b>-</b>	<b>-</b>	<b>89</b>	<b>319</b>	<b>-</b>	<b>408</b>	<b>-</b>	<b>-</b>	<b>408</b>
Capital increases / decreases	54	- 10	-	-	-	44	-	-	44
Other changes in capital	-	-	- 15	15	-	-	-	-	-
<b>Equity as at 31 Dec 2022</b>	<b>3 137</b>	<b>2 579</b>	<b>1 060</b>	<b>- 519</b>	<b>- 9</b>	<b>6 248</b>	<b>50</b>	<b>2</b>	<b>6 300</b>

## Cash Flow Statement

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
<b>Consolidated profit/loss for the period</b>	<b>224</b>	<b>89</b>	<b>&gt; 100</b>
Non-cash items included in consolidated profit/loss and reconciliation to cash flow from operating activities			
Depreciation, impairment and write-ups	- 197	- 134	47
Increase / decrease in provisions	164	27	> 100
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	- 2	- 1	100
Risk provisioning	99	- 142	> 100
Restructuring result	4	4	0
Other adjustments net	- 1 315	- 796	65
<b>Sub-total</b>	<b>- 1 023</b>	<b>- 953</b>	<b>7</b>
<b>Changes in assets and liabilities from operating activities:</b>			
Financial assets at amortised costs	- 1 036	- 2 594	- 60
Trading assets/liabilities and hedge derivatives	105	- 1 921	> 100
Financial assets mandatorily at fair value through profit or loss	116	177	- 34
Financial assets at fair value through other comprehensive income	456	861	- 47
Other assets from operating activities	- 57	- 26	> 100
Financial liabilities at amortised costs	2 114	- 1 089	> 100
Financial liabilities designated at fair value through profit or loss	- 496	63	> 100
Other liabilities from operating activities	476	21	> 100
Interest and dividends received	5 161	3 096	67
Interest paid	- 4 087	- 1 913	> 100
Income taxes paid	- 59	- 14	> 100
<b>Cash flow from operating activities</b>	<b>1 670</b>	<b>- 4 292</b>	<b>&gt; 100</b>

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
<b>Cash flow from investment activities:</b>			
Cash receipts from the disposal of			
shares in companies	2	2	0
property and equipment	8	30	- 74
Payments for acquisition of			
property and equipment	- 34	- 69	- 50
Payments for acquisition of consolidated companies and other business units	-	- 4	- 100
<b>Cash flow from investment activities</b>	<b>- 25</b>	<b>- 41</b>	<b>- 40</b>
<b>Cash flow from financing activities:</b>			
Cash receipts from equity capital contributions	31	54	- 42
Increase in funds from other capital	0	10	- 100
Decrease in funds from other capital	- 578	- 98	> 100
Interest expenses on subordinated capital	- 107	- 93	15
Interest and Repayment from leases	- 13	- 16	- 19
<b>Cash flow from financing activities</b>	<b>- 667</b>	<b>- 143</b>	<b>&gt; 100</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>2 464</b>	<b>6 930</b>	<b>- 64</b>
Cash flow from operating activities	1 670	- 4 292	> 100
Cash flow from investment activities	- 25	- 41	- 40
Cash flow from financing activities	- 667	- 143	> 100
<b>Total cash flow</b>	<b>979</b>	<b>- 4 476</b>	<b>&gt; 100</b>
Effects of changes in exchange rates	- 8	10	> 100
<b>Cash and cash equivalents as at 31 December</b>	<b>3 435</b>	<b>2 464</b>	<b>39</b>

With respect to the cash and cash equivalents as at 31 December, please see Note (34) Cash reserve.

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

## Notes to the Consolidated Financial Statements

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## 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 2023 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable within the European Union. The standards applied were those published at the end of the financial year and adopted by the European Union. The national provisions of the German Commercial Code (HGB) under § 315e HGB were also observed.

The consolidated financial statements as at 31 December 2023 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(20) Segment reporting by business segment and Note (21) Information by geographical segment. Reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7.31–42, in particular with regard to credit, liquidity and market risks, is partially provided in the Notes and partly within the risk report as part of the Group management report. The notes include the disclosures on credit risk required by IFRS 7.35H-35J with regard to risk provisions and gross carrying amounts, including the related explanations of modifications (see Note (56) Risk provisions and gross carrying amount). In addition, the quantitative maturity analysis of liabilities with regard to liquidity risk in accordance with IFRS 7.39 is shown in Note (62) Residual maturities of financial liabilities.

Assets are generally measured at amortised cost in the NORD/LB Group. The notable exceptions from this are those financial instruments which are measured at fair value in accordance with IFRS 9. Accounting and measurement were based on a going-concern assumption. Earnings and expenses are accrued or deferred pro rata temporis. They are recognised and reported in the period to which they are economically attributable. The significant accounting policies are presented in the following Notes (6) to (19) 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 (11) Financial instruments in conjunction with Note (54) Fair value hierarchy), measurement of provisions for pensions in respect of determining the underlying parameters (Note (17) Provisions for pensions and similar obligations and (18) Other provisions in conjunction with Note (50) Provisions), measurement of risk provisioning with respect to future cash flows (Note (2) Management Adjustment and Note (12) Risk provisioning in conjunction with Note (56) Risk provisioning and gross carrying amount), determination of deferred tax assets in respect of the impairment of unused tax losses (Note (19) Income taxes in conjunction with Note (33) Income taxes, Note (44) Income tax assets and Note (51) Income tax liabilities), measurement of provisions (Note (17) and (18) in conjunction with Note(50)), measurement of leasing obligations with respect to the incremental borrowing rate of interest and the anticipated useful life (Note (14)) Where more extensive estimates were required, the assumptions made are presented. Please refer to the relevant information on

sensitivity in Note (54) Fair value hierarchy for the impact of using assumptions to measure Level 3 financial instruments.

Estimates and assessments themselves as well as the underlying assessment factors and estimation methods are regularly compared with events that have actually occurred. Changes to estimates relating to one period only are recognised in that period alone and, if the change relates to the current or subsequent reporting periods, they are recognised 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 (11) in conjunction with (35) Note Financial assets at fair value through profit or loss and Note (46) Financial liabilities at fair value through profit or loss (46) Financial Liabilities at Fair Value through Profit or Loss (46)), the application of the reclassification rules of IFRS 9 (Note (11)), accruals and deferrals of finance leases and operating leases (Note (14) Lease transactions in conjunction with Note (68) Leases), the recognition of provisions (Note (17) Provisions for pensions and similar obligations and (18) Other provisions in conjunction with Note (50) Provisions), assets held for sale (Note (16) Assets held for sale) and the assessment of control in respect of shares of companies, including the assessment of credit-financed project companies or fund companies due to activities as fund managers (Note (7) Basis of consolidation in conjunction with Note (72) Disclosures concerning shares in companies).

Furthermore, environmental, social and corporate governance criteria (ESG) can influence the measurement of assets and liabilities. Influences from ESG factors, insofar as they are relevant to creditworthiness, are already implicitly taken into account in the established rating procedures for borrowers of the NORD/LB Group. NORD/LB Group determines customer-specific ESG scores as part of the credit decision-making process and uses them for the aggregated classification of its borrowers' ESG risk. For detailed explanations on the consideration of ESG risks in internal risk management, please refer to the notes in the corresponding sections of the extended risk report of the NORD/LB Group's combined management report.

The reporting currency for the consolidated financial statements is the euro. All amounts in the consolidated financial statements are stated as rounded figures in millions of euro (€ million) according to standard commercial practice, unless otherwise indicated. This may result in minor differences in the formation of totals and the calculation of percentages, which do not represent any restrictions on the report quality. The figures for the previous year are in each case stated afterwards in brackets. The percentage changes are presented in absolute numbers.

These consolidated financial statements were signed by the Managing Board on 19 March 2024 and approved for forwarding to the Supervisory Board.

## **(2) Management Adjustment**

The Management Adjustment Ukraine (MAU), made for the first time in the 2022 financial year, was further developed as at the balance sheet date of 31 December 2023 and transferred to a broader management adjustment (MA). Of the total € 259 million MAU as at 31 December 2022, € 114 million was attributable to the Real Estate Customers segment, € 121 million to the Corporate Customers segment and € 24 million across all segments to the Utilities sector. The post-model adjustments in the aforementioned segments are still considered necessary, but these are now due to the current prevailing macroeconomic conditions rather than the Ukraine war.

The management adjustment (MA) will be increased at the end of 2023 due to the continued severe economic situation resulting from burdens and adjustment requirements in other parts of the European industry (including the production of energy-intensive industries), current weaknesses in world trade due to continued high inflation, a tougher energy procurement situation and a very steep rise in interest rates. The indirect effects, above all, of the dynamic rise in interest rates have not yet become viable in the current ratings of Corporate Customers and Real Estate Customers. From the current perspective, we expect the time horizon for the MA to be until 31 December 2026. Within this time horizon, the level of the MA is subject to a high degree of uncertainty and is therefore monitored on a quarterly basis.

Overall, the amount of the management adjustment for the NORD/LB Group as at 31 December 2023 totalled around € 289 million. The projected impact of € 143 million was mainly seen in the Real Estate Customers segment, most of which was in the real estate industry (€ 124 million). In addition, € 128 million was allocated to the Corporate Customers segment, of which € 26 million was attributable to the construction industry, € 19 million to consumer goods and € 15 million to automotive. In addition, a management adjustment of € 19 million, which was almost exclusively attributable to the non-renewable energy industry, was recognised across all segments for the municipal utilities sector.

The starting point is internal credit risk simulations, which examine the deterioration in credit quality and the loss ratio due to market value discounts in industries particularly severely affected by the crisis. The relevant portfolio is subjected to a stress scenario in which the ratings valid on the reporting date perform negatively based on economic forecasts. A distinction is made between three scenarios of different severity levels: scenario 1 (mild scenario), 2 (moderate scenario) and 3 (severe scenario). The economic forecasts are made available in the standard format of the stress test analyser of the rating service providers, subsequently transformed into PD and LGD shifts and validated based on experts. The management adjustment was determined as at 31 December 2023, as previously at the reporting date of 31 December 2022, for all industries affected using the shift factors resulting in scenario 3 on the PD and LGD risk parameters. In addition to the global Brent oil price in USD, the economic forecasts include country-specific variables for the unemployment rate, real gross domestic product, the consumer price index and real share price index, the 3-month interest rate, the yield on 10-year government bonds and the exchange rate with the USD.

Germany	Scenario 3 (Q4 2023)		Scenario 3 (Q4 2022)	
	2023	2024	2022	2023
Unemployment rate (in %)	6,7	7,6	5,9	7,7
GDP (real; Y/Y <sup>1</sup> in %)	-2,3	-6,4	-0,4	-5,6
CPI <sup>2</sup> (in % Y/Y)	4,2	1,4	8,5	3,0
Leading index shares (% p.a. real)	-30,0	5,0	-44,7	-17,5
Short-term interest rate (3M Money market rate, in %)	2,8	0,4	0,3	0,7
Long-term interest rate (10Y Government, in %)	1,8	0,5	1,1	0,6
Rate of change exchange rate to USD (in % Y/Y)	-0,8	-3,4	-9,3	-5,6

<sup>1)</sup> Y/Y = year to year

<sup>2)</sup> Consumer Price Index

Great Britain and Northern Ireland	Scenario 3 (Q4 2023)		Scenario 3 (Q4 2022)	
	2023	2024	2022	2023
Unemployment rate (in %)	5,3	6,0	5,8	9,0
GDP (real; Y/Y <sup>1</sup> in %)	-1,1	-0,5	2,4	-2,2
CPI <sup>2</sup> (in % Y/Y)	6,8	1,4	6,6	2,2
Leading index shares (% p.a. real)	-5,0	-3,0	-13,5	-17,5
Short-term interest rate (3M Money market rate, in %)	4,4	3,4	1,4	1,0
Long-term interest rate (10Y Government, in %)	3,4	2,5	1,8	1,0
Rate of change exchange rate to USD (in % Y/Y)	-2,2	0,8	-10,4	-8,1

<sup>1)</sup> Y/Y = year to year

<sup>2)</sup> Consumer Price Index

USA	Scenario 3 (Q4 2023)		Scenario 3 (Q4 2022)	
	2023	2024	2022	2023
Unemployment rate (in %)	4,6	6,2	4,3	9,5
GDP (real; Y/Y <sup>1</sup> in %)	0,5	-0,9	2,1	-2,7
CPI <sup>2</sup> (in % Y/Y)	4,4	1,5	7,3	2,0
Leading index shares (% p.a. real)	-3,0	-5,0	-34,5	-17,5
Short-term interest rate (3M Money market rate, in %)	5,0	3,6	1,8	1,7
Long-term interest rate (10Y Government, in %)	3,0	2,4	2,8	2,0
Rate of change exchange rate to USD (in % Y/Y)	-0,8	-3,4	-9,3	-5,6

<sup>1)</sup> Y/Y = year to year

<sup>2)</sup> Consumer Price Index

Euroland	Scenario 3 (Q4 2023)		Scenario 3 (Q4 2022)	
	2023	2024	2022	2023
Unemployment rate (in %)	8,5	10,0	7,8	10,3
GDP (real; Y/Y <sup>1</sup> in %)	-1,2	-6,7	0,7	-5,3
CPI <sup>2</sup> (in % Y/Y)	4,0	1,1	8,1	2,6
Leading index shares (% p.a. real)	-25,0	5,0	-39,9	-14,2
Short-term interest rate (3M Money market rate, in %)	2,8	0,4	0,3	0,7
Long-term interest rate (10Y Government, in %)	1,8	0,5	1,1	0,6
Rate of change exchange rate to USD (in % Y/Y)	-0,8	-3,4	-9,3	-5,6

<sup>1)</sup> Y/Y = year to year

<sup>2)</sup> Consumer Price Index

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

Ölpreis	Szenario 3 (Q4 2023)		Szenario 3 (Q4 2022)	
	2023	2024	2022	2023
Oil price - Brent (in USD per barrel)	67,5	69,9	92,0	70,0
Exchange rate (EUR/USD)	1,05	1,01	1,07	1,01

When analysing of the scenario presentation for 2024 compared to 2023, we focused on the changes in the eurozone relevant for NORD/LB. The eurozone economy would have a weak GDP change rate of -6.7 per cent in 2024. As a result of the significant economic slowdown, this severe adverse scenario assumes a

significant rise in the unemployment rate of 10.0 per cent. Inflation rates and interest rates fall heavily again.

The simulated results for increased risk provisioning based on the increase in the probability of default along with, if applicable, the transfer to impairment stages 2 or 3 and the deterioration of the loss ratio form the basis for the management adjustments as the difference to the risk provisioning balance of impairment stages 1 and 2 as at 31 December 2023. The focus of the management adjustments is on the non-defaulted transactions of the relevant segment portfolios. The corresponding amount is reduced if a transaction expires or migrates to impairment Stage 3.

### **(3) Development in the Guarantee Portfolios in Connection with the Guarantee Contracts of the State of Lower Saxony**

The performance in the reporting period of the hedged assets and liabilities and of the guarantee amount recognised as a hedging derivative is presented below per guarantee. It is subdivided according to balance sheet items and measurement approach, and also by the off-balance-sheet transactions and, for the IFRS 9 risk provisions formed on the assets of the portfolios, by impairment stage. The fair values of the derivatives reflect the anticipated and confirmed guarantee payments of the guarantor that had not yet been settled as of the reporting date, as well as future guarantee fee payments, and contain all measurement-relevant changes that refer back to the hedged risks, in particular, credit default risks. The extension option with regard to the contract term was utilised in 2023, so that the guarantee contracts now have a term until 31 December 2029.

The portfolio in the Special Credit & Valuation segment was hedged at a gross carrying amount of € 83 million (€ 283 million) as at 31 December 2023. The hedged gross carrying amount of the receivables measured at amortised cost included in the portfolio was offset against a risk provision in stages 2 and 3 in the amount of € 0 million (€ 6 million) and € 2 million (€ 1 million) respectively.

The change in the now negative fair value of the derivative of € -6 million (€ +11 million) is a valuation expense and was largely influenced by a reduction in the reference portfolio, which reduced the hedged amount.

(in € million)	Special Credit & Valuation				
	Opening balance 1 Jan. 2023	Changes in stock	Loss allowance and Fair value measurement	Currency translation	Closing balance 31 Dec. 2023
<b>Assets</b>					
Trading assets - Loans and advances to customers	13	- 13	-	-	-
Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers	1	- 1	-	-	-
Financial assets at amortised cost - Gross carrying amount of Loans and advances to customers	269	- 187	-	0	83
Loss allowance - Stage 2	- 6	6	- 0	0	- 0
Loss allowance - Stage 3	- 1	2	- 2	0	- 2
<b>Total</b>	<b>276</b>	<b>- 194</b>	<b>- 2</b>	<b>0</b>	<b>81</b>
<b>Liabilities</b>					
Trading liabilities - Negative fair values from derivatives	3	- 1	- 1	- 0	1
<b>Total</b>	<b>3</b>	<b>- 1</b>	<b>- 1</b>	<b>- 0</b>	<b>1</b>
<b>Contingent liabilities</b>					
Credit commitments	18	- 18	-	-	-
Other Off-balance-sheet liabilities	8	- 8	-	-	-
<b>Total</b>	<b>26</b>	<b>- 26</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Net value of the hedged portfolio</b>	<b>299</b>	<b>- 218</b>	<b>- 2</b>	<b>0</b>	<b>80</b>
<b>Guarantee contract (Hedging derivative)</b>	<b>11</b>	<b>-</b>	<b>- 16</b>	<b>-</b>	<b>- 6</b>

The Aircraft Financing sub-portfolio from the Special Financing segment was hedged as at 31 December 2023 at a gross carrying amount of € 198 million (€ 411 million) (of which € 20 million (€ 22 million) was measured at fair value). The hedged gross carrying amount of the receivables valued at amortised cost included in the portfolio is offset, in particular, against a risk provision in stages 2 and 3 in the amount of € 4 million (€ 9 million) and € 0 million (€ 8 million) respectively.

The change in the fair value of the derivative of € 31 million (€ 66 million) was influenced as a valuation expense at the reporting date by the improvement in the credit risk data of the borrowers in the reference portfolio and by disposals that had a negative impact on the hedged amount.

(in € million)	Aircraft customers				
	Opening balance 1 Jan. 2023	Changes in stock	Loss allowance and Fair Value Measurement	Currency translation	Closing balance 31 Dec. 2023
<b>Assets</b>					
Trading assets - Loans and advances to customers	22	- 2	-	0	20
Financial assets at amortised cost - Gross carrying amount of Loans and advances to customers	389	- 207	-	- 4	178
Loss allowance - Stage 2	- 9	- 2	7	0	- 4
Loss allowance - Stage 3	- 8	8	0	0	0
Assets held for sale - Financial assets at amortised cost - net carrying amount	-	-	-	-	-
<b>Total</b>	<b>394</b>	<b>- 204</b>	<b>8</b>	<b>- 4</b>	<b>194</b>
<b>Liabilities</b>					
Trading liabilities - Negative fair values from derivatives	12	- 3	- 3	- 0	6
<b>Total</b>	<b>12</b>	<b>- 3</b>	<b>- 3</b>	<b>- 0</b>	<b>6</b>
<b>Net value of the hedged portfolio</b>	<b>382</b>	<b>- 200</b>	<b>11</b>	<b>- 3</b>	<b>189</b>
<b>Guarantee contract (Hedging derivative)</b>	<b>66</b>	<b>-</b>	<b>- 35</b>	<b>-</b>	<b>31</b>

#### (4) IFRS to be applied

In these consolidated financial statements, all standards, interpretations and their respective changes have been applied insofar as they were recognised by the EU as part of the endorsement process and are relevant for the NORD/LB Group in the 2023 reporting year.

In the reporting period, account was taken of the following amendments to standards applicable to the NORD/LB Group for the first time as at 1 January 2023:

##### IFRS 17 – Insurance contracts

In May 2017, the IASB published the new standard IFRS 17 on the accounting of insurance contracts, which replaced the former standard IFRS 4 Insurance Contracts. This regulates anew the principles in relation to the recognition, measurement, reporting and disclosures of insurance contracts. 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. In December 2021, the IASB published further adjustments to IFRS 17, which come into force with the first-time application of IFRS 17. The amendments mainly relate to comparative information on financial assets of reporting entities that apply IFRS 17 and IFRS 9 simultaneously for the first time.

In the second half of 2023, the current business activities of the NORD/LB Group were analysed again for the existence of insurance contracts in accordance with the definition of IFRS 17. As before, transactions were identified whose cash flows depend on uncertain future non-financial events, which could have an adverse effect on the other contracting party. These transactions are mainly warranty guarantees and performance guarantees. However, they do not fall within the scope of IFRS 17, as they are either financial guarantees that the NORD/LB Group has already recognised in the past in accordance with IFRS 9 and are therefore excluded from the scope of IFRS 17, or they are agreements for which the Group does not assume any significant insurance risk for the purposes of IFRS 17 and which are also recognised in the balance

sheet in accordance with IFRS 9. Due to the limited scope of application with regard to the NORD/LB Group's current business activities, there were no effects of IFRS 17 on the NORD/LB consolidated financial statements.

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

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

#### **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 mandatory initial application for financial years beginning on or after 1 January 2023. The changes had no impact on NORD/LB's consolidated financial statements.

#### **Amendments to IAS 12 – Deferred taxes**

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

#### **Amendments to IAS 12 – International tax reform – pillar 2 regulations**

In May 2023, the IASB published amendments to IAS 12 that relate to the Pillar 2 Model Rules (global minimum taxation). The amendments include a temporary exemption from the obligation to account for deferred taxes resulting from the implementation of the Pillar 2 Model Rules, as well as targeted disclosure requirements for affected entities in IAS 12. There is mandatory initial application for financial years beginning on or after 1 January 2023. The changes have no impact on NORD/LB's consolidated financial statements, as the Pillar 2 legislation was passed in Germany in 2023, but only comes into force for financial years beginning after 30 December 2023. In the future, the Group will also make use of the exemption for accounting for deferred taxes in connection with Pillar 2 income taxes (see also Note (19) Income taxes).

As permitted, the early application of the following standards and standard amendments adopted into European law, which are only to be implemented for the NORD/LB consolidated financial statements after 31 December 2023, was waived:

#### **Amendments to IFRS 16 – Lease liabilities in a sale and leaseback transaction**

In September 2022, the IASB published amendments to IFRS 16. The amendments substantiate the subsequent measurement of lease liabilities arising from sale-and-leaseback transactions with the aim of ensuring that a seller-lessee does not receive any profits or losses from the retained right of use in the disposed asset. There is a mandatory initial application for financial years beginning on or after 1 January 2024.

This currently has no effect on NORD/LB's consolidated financial statements, as there are no cases of application.

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

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

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

#### **Amendments to IAS 7 and IFRS 7 – Supplier financing agreements**

The IASB has made changes to IAS 7 and IFRS 7, which add new qualitative and quantitative information to the existing disclosure requirements for supplier financing agreements. The amendments to IAS 7 are to be applied together with the amendments to IFRS 7 for reporting periods beginning on or after 1 January 2024. The NORD/LB Group does not use supplier financing agreements for its liabilities arising from supply and service relationships. There are therefore no effects on the NORD/LB Group from the aforementioned standard changes.

#### **Amendments to IAS 21 – Lack of exchangeability**

In August 2023, the IASB issued amendments to IAS 21 regarding the specification defining the exchangeability of a currency, setting the exchange rate of a non-exchangeable currency and providing additional information in this case. The mandatory application relates to financial years beginning on or after 1 January 2025. No significant effect on the NORD/LB consolidated financial statements is expected as a result of these amendments.

The standards and amendments to be implemented for the NORD/LB consolidated financial statements after 31 December 2023 are intended to be applied for the first time at the respective initial application date.

### **(5) Implementation of the Interest Rate Benchmark Reform as at 31 December 2023**

The NORD/LB Group completed the project to implement the global reform of benchmark interest rates ("IBOR reform") as at 31 December 2022. The remaining work, which is almost exclusively related to the conversion of the transactions based on USD LIBOR, is carried out by the customer support departments of the respective responsible market areas. Significant USD LIBOR interest rates are expected to be published by 30 September 2024.

The challenges in the final implementation of the IBOR reform continue to be mainly operational in nature.

## Product-related implementation

### *Derivatives business*

The transformation of the centrally cleared derivatives was completed in the first half of 2023 with the complete conversion from USD LIBOR to USD SOFR.

The adjustment of the interbank derivatives to the ISDA FB Index plus ISDA IBOR fallback spreads took place on the basis of the relevant ISDA protocol or through an update of the framework agreement. Individual adjustments were made in individual cases.

For USD LIBOR-based customer contracts, a nominal volume of € 112 million is still pending as at 31 December 2023 for conversion in 2024. The transformation of the transactions was value-neutral and generally carried out by means of a change to the respective compounded overnight rate of the same currency plus the ISDA IBOR fallback spread. Until the conversion, the synthetic Libor of the respective currency will apply, which will be published until 30 September 2024 according to the current status. The interest rate derivatives economically linked to loan agreements will be transferred to the new benchmark interest rate in parallel with the adjustment of the loan agreements.

### *Hedge accounting*

In portfolio hedge accounting and in micro hedge positions, the replacement of USD LIBOR took place during the first half of 2023.

### *Securities, loans and account products*

In the area of issued variable-interest securities by, the NORD/LB Group the IBOR reform has now been implemented. New issues with a variable benchmark rate are currently only issued in EUR based on the EURIBOR.

Of the purchased securities based on GBP LIBOR, the transformation for three transactions is still pending. As the publication of the GBP LIBOR benchmark interest rates has already been discontinued, interest on these securities will currently be paid for the 3M Legacy LIBOR.

With the exception of the USD LIBOR-based transaction, the individual contractual conversion in the lending business and account products was fully completed in the first half of 2023. This conversion generally included the replacement of the previous benchmark interest rates in the respective contract with an alternative benchmark interest rate and the updating of fallback agreements.

As at the reporting date 31 December 2023, 13 per cent (10 per cent) of the USD LIBOR-based credit transactions with a gross carrying amount of € 317 million were not yet converted. The full conversion to the USD SOFR is planned for the first half of 2024 and is thus expected to happen well before the expected end of the publication of the USD LIBOR (30 September 2024).

## (6) Consolidation Principles

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

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

The assessment of whether the Group controls 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 the NORD/LB Group within the meaning of IFRS 10. The NORD/LB Group assesses the latter question on the basis of the following three factors: (1) Nature and scope of the investors' participation in the risks and rewards of the company (2) Scope of the decision-making powers, and (3) NORD/LB Group's termination rights. The Group re-assesses the consolidation requirement if a credit event (event of default) has occurred or if the company's structure has changed.

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

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

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

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

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

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

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

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

Joint ventures and associated companies are recognised in the balance sheet according to the equity method and are reported as shares in companies accounted for using the equity method. When applying the equity method, the NORD/LB Group's shares in the associated companies 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 associated companies or joint venture. If the NORD/LB Group's share of the losses of an associated companies 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 associated companies, 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. The non-controlling interest in the former subsidiary is also derecognised. The fair value of the consideration received is recognised. If there is still an equity investment in the former subsidiary, it is recognised at fair value. Differences resulting from recognition and derecognition are recognised in the Group income statement. Amounts related to this subsidiary that were carried under other profit/loss (other comprehensive income, OCI) in prior periods are rebooked to the Group income statement or, if required by other IFRSs, are rebooked directly to retained earnings.

#### **(7) Basis of Consolidation**

These consolidated financial statements include not only NORD/LB as parent, but also 19 (21) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. In addition, no (one) joint venture and four (five) associated companies are recognised. The associated companies are accounted for using the equity method.

Compared with 31 December 2022, the following changes were made to the basis of consolidation:

As part of the NORD/LB 2024 programme, the former main building of Bremer Landesbank was transferred at the beginning of the second quarter of 2023 within the Group by means of a contribution in kind to a new company founded last year. The real estate property company based in Bremen

- BGG Domshof 26 GmbH & Co. KG, Bremen (formerly: BGG Geo8 GmbH & Co. KG, Bremen)

was included in the consolidated financial statements for the first time as a fully consolidated subsidiary.

In 2020, NORD/LB terminated the silent participations of the two consolidated special purpose entities

- Fürstenberg Capital Erste GmbH and
- Fürstenberg Capital II GmbH, both Fürstenberg

in accordance with the contract at the end of 2022. Since repayment of the silent participations on 30 June 2023, the two special purpose entities are no longer subject to consolidation and have therefore been deconsolidated.

In the third quarter of 2023, NORD/LB returned its shares in the fully consolidated special fund

- NORDLB SICAV-RAIF S.C.Sp. - Infrastructure & Renewables GBP 2, Luxembourg

The Fund has been dissolved, is no longer subject to consolidation and has been deconsolidated.

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

LBS Norddeutsche Landesbausparkasse Berlin-Hannover was previously included in the consolidated financial statements as an associated company using the equity method. The company was deconsolidated by the merger at the end of August 2023 with LBS Westdeutsche Landesbausparkasse in Münster into LBS Landesbausparkasse NordWest. The new investment in LBS Landesbausparkasse NordWest is accounted for as a financial instrument at fair value. The resulting merger gain resulting from the difference between the fair value of the shares in LBS NordWest and the previous carrying amount of LBS Nord, taking into account the recycled amounts from the accumulated other comprehensive income, is reported in other operating income. Furthermore, the subsequent valuation of LBS NordWest as at 31 December 2023 resulted in an income recognised in profit/loss from shares in companies.

The subsidiaries, joint ventures and associated companies included in the consolidated financial statements are listed in Note (76) Equity holdings.

#### **(8) Currency Translation**

All transactions concluded in foreign currency are converted into the functional currency, euro, as part of the initial valuation at the spot rate valid at the time of the transaction. Monetary assets and liabilities denominated in foreign currency and non-monetary items recognised at fair value are translated at the reference exchange rates of the European Central Bank (ECB reference rates) on the measurement date. Non-monetary items recognised at historical cost are measured at the exchange rate on the date of the transaction. Expenses and earnings in foreign currencies are translated at the exchange rates applied when translating the respective balance sheet items. Foreign exchange differences on monetary items are reflected in the income statement; non-monetary items are carried according to the recognition of profits and/or losses on such items in other comprehensive income (OCI) or in the income statement.

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

#### **(9) Interest and Dividends**

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

In the case of impairments of stage 3 interest-bearing assets, the interest income is determined, in contrast to stages 1 and 2, on the basis of the interest rate used to calculate the impairment (unwinding, see Note (12) Risk provisions).

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

## **(10) Commission**

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

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

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

Costs incurred to obtain or fulfil a contract are capitalised as an asset under the balance sheet item Other assets if the NORD/LB Group expects reimbursement from the customer. The amount of the capitalised contract costs is calculated on the basis of the amounts paid to third parties. Capitalised contract costs are amortised on a straight-line basis over the period of service provision due to the uniformity of the service.

## **(11) Financial Instruments**

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

### *a) Recognition and derecognition*

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

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

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

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

*b) Classification and measurement of financial assets*

The initial measurement of financial assets and liabilities is at fair value upon recognition.

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

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

*ba) Business model*

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

The "Hold" business model includes financial assets for which the objective is to receive the contractual cash flows from these assets until they mature. When assessing whether this business model is applicable, the Bank takes into account at the level of the corresponding assessment unit the frequency, volume and timing of sales in previous periods, the reasons for these sales and expected future sales activities. This review process is conducted under the assumption that sales 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, or similar clauses allowing for additional income potential (certain cash sweep or pay-as-you-earn agreements).

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

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

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

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

#### bc) Financial assets at amortised cost

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

Assets included in this category are subsequently measured at amortised cost using the effective interest-rate method. In addition, under the loss allowance regulations the carrying amount in the balance sheet is reduced by expected credit losses (see Notes (12) Risk provisions, (25) Risk provisions result and (56) Risk provisions and gross carrying amount). Allocations to and reversals of risk provisions are recognised in the income statement under risk provisions. Interest is reported in net interest income; commissions that fall under the provisions of IFRS 15 are reported in net commission income.

#### bd) Financial assets at fair value through other comprehensive income

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

Subsequent measurement in this category is carried out at fair value. The profit/loss from the fair value measurement is reported in other comprehensive income (OCI). On disposal of the financial asset, the

accumulated measurement profit/loss recognised until then in other comprehensive income (OCI) is reversed and recognised in the income statement.

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

The debt securities allocated to this category are subject to the same loss allowance regulations as financial assets at amortised cost, (see Notes (12) Risk provisions, (25) Risk provisions result and (56) Risk provisions and gross carrying amount). Allocations to and reversals of risk provisions are also recognised through profit and loss under risk provisions. However, the expected credit losses determined for this category do not reduce the balance sheet carrying amount at fair value, rather they are recognised in other comprehensive income (OCI).

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

#### b) Financial assets at fair value through profit or loss

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

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

##### i) Trading assets (financial assets held for trading)

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

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

This subcategory includes financial assets that are either allocated to the "Other" business model even though they are not held as trading assets, or which regardless of the business model do not meet the cash flow criterion. In the NORD/LB Group, equity instruments not held for trading or that have not been assigned to the category "Financial assets at fair value through other comprehensive income" are also recognised under this subcategory.

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

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

#### c) *Classification and measurement of financial liabilities*

##### ca) Financial liabilities at amortised cost

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

cb) Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subsequently measured at fair value through profit and loss. There is no separate amortisation of premiums and discounts at constant effective interest rates. Interest and commissions are recognised in net interest 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 other financial liabilities that are held for trading, in particular delivery obligations from short-sales. All fair value changes related to liabilities held for trading are reported in the income statement under profit/loss from fair value measurement.

ii) Financial liabilities designated at fair value through profit or loss

Financial liabilities otherwise measured at amortised cost on initial recognition which the Group has irrevocably designated as measured at fair value through profit or loss can be designated in this subcategory. The NORD/LB Group uses the fair value option to significantly minimise or avoid accounting mismatches. In contrast to the subcategory trading liabilities, the changes in fair value attributable to the group's own credit risk are recognised in other comprehensive income (OCI). When the transactions are derecognised, these fair value changes are reclassified into retained earnings. Other notes 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 (46) Financial liabilities at fair value through profit or loss.

*d) Reclassifications*

Reclassifications of financial assets may be made only as a result of a significant change in the IFRS 9 business model. A significant change in the business model can only be the result of internal or external changes that result in the start or discontinuation of a business activity significant for the work processes and are transparent for external parties. Additionally, a change to the business model must be specified by the Managing Board. As in the previous year as well, no reclassifications were required in the NORD/LB Group during the period under review.

*e) Modifications*

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

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

*f) Determination of fair value*

According to IFRS 13, the fair value is either the price that can be observed directly or a price determined using a measurement method.

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

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

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

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

f) Fair value hierarchy – financial instruments recognised at fair value in the balance sheet

The respective level in the three-stage fair value hierarchy is determined by the market proximity of the variables included in the determination. If input data from multiple levels of the fair value hierarchy are used in the determination of fair value, the financial instrument is assigned to the lowest level at which the input data has a significant influence on the fair value measurement.

Level 1

A financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. If such data is not available, executable prices from traders and brokers without a transaction as a reference are used. Instruments are allocated in this case to Level 1 if there is an active market for these broker quotes, i.e. the bid-ask spread is low and there are multiple price suppliers with very little difference in their prices. Level 1 input factors are regularly not corrected.

Level 2

If broker quotations are (mixed) prices or if the price is determined on an inactive market, the instruments are assigned to Level 2 if the quotations relate to binding offers, observable prices or market transactions. Likewise, (mixed) prices calculated by price service agencies on the basis of reported prices are to be assigned to Level 2.

Level 2 is also allocated if the fair value is calculated using generally accepted measurement methods or models or through external pricing services, and the measurement in such cases makes either full or significant use of observable input data such as spread curves. This includes measurement methods that are widely recognised in the market under normal market conditions (e.g. the discounted cash flow method and the Hull & White model for options) and the calculations of which are based on inputs available on an

active market. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired.

Measurement models are used primarily for OTC derivatives and securities listed on inactive markets. The models include a range of inputs such as market prices and other market quotations, risk-free yield curves, risk premiums, exchange rates and volatilities. A standard market approach is always selected for necessary model parameterisations.

In the case of asset-side securities for which there is no active market and for which market prices can not be used for measurement, the fair value for measurement purposes is determined on the basis of discounted cash flows. With the discounted cash flow method, all payments are discounted using the risk-free yield curve adjusted by the credit spread. Spreads are determined based on comparable financial instruments (for example, taking account of the respective market segment and the issuer's credit rating).

The financial instruments at the NORD/LB Group to be measured in this way are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions within the Group identify, analyse and measure financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible.

#### Level 3

Financial instruments for which there is no active market, which cannot be measured on the basis of market prices and cannot be fully measured on the basis of observable market parameters, are allocated to Level 3. In differentiation to Level 2 measurement, Level 3 measurement generally uses both institution-specific models and market-based discounted-cash-flow models as well as significant volumes of data which are not observable on the market. The inputs used in these methods include, among other things, assumptions about cash flows, loss estimates and the discount rate, and are determined as far as possible on a near-market basis.

Level 3 procedures are used for portfolios of interest-bearing securities and derivatives for which the market has been classified as inactive or for which significant valuation parameters are not observable on the market. These include:

- Equity-linked structures measured using historical volatilities,
- CMS spread options, since the ingoing correlation is not directly observable
- Own and third-party issues as well as futures on such issues if the credit/funding spread is not observable on the market.

Furthermore, all loans measured at fair value and loan commitments intended for syndication that are presented as derivatives, are regularly assigned to Level 3. The portfolio guarantees of the State of Lower Saxony which are accounted for as credit derivatives are also assigned to Level 3.

fb) Fair value hierarchy – financial instruments that are not recognised at fair value in the balance sheet

The same rules for determining fair value apply to financial instruments for which a fair value is determined solely for disclosure purposes as apply to financial instruments whose fair value is reported in the balance sheet. Such financial instruments include, for example, the cash reserve, loans/advances and liabilities to banks and customers, certain debt securities, securitised liabilities and subordinated capital.

For the cash reserve as well as current loans/advances and liabilities to banks and customers (demand deposits), the nominal value is taken as the fair value on account of the short-term nature of these items.

In the same way as for financial instruments recognised on the balance sheet at fair value, various forms of measurement are used in practice for securities and liabilities (e.g. market or comparative prices, or

measurement models). The discounted-cash-flow model is generally used. In this case, the value is often determined with the help of a risk-free yield curve adjusted for risk premiums and other components as relevant. For liabilities, the own credit default risk is taken as the risk premium. Appropriate assignment to levels in the existing fair value hierarchy is based on the significance of the input data.

No observable market prices are available for non-current loans/advances and liabilities to banks and customers or for deposits, since there are no observable primary or secondary markets. The fair value of these financial instruments is determined with the help of generally accepted measurement methods (discounted-cash-flow model). Inputs for this model are the risk-free interest rate, a risk premium and (as appropriate) additional premiums to cover administrative and equity costs.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Note (54) Fair value hierarchy.

*g) Measurement of equity investments not falling under IFRS 10, IFRS 11 or IAS 28*

Investments that do not fall under IFRS 10, IFRS 11 or IAS 28 are measured at fair value in accordance with IFRS 9.

If equity investments are traded on an active market, the market/stock exchange price is used to determine the fair value. If no price quotes on an active market are available, the fair value is calculated using generally accepted measurement methods. These include the capitalised-earnings-value method used in the NORD/LB Group. This method is assigned to Level 3 in the fair value hierarchy as per IFRS 13 (see Note (54) Fair value hierarchy).

With the capitalised-earnings-value method, the fair value is determined from the present value of future net inflows to the shareholders associated with ownership in the company (present value of future profits).

The net earnings of shareholders, which must be discounted to calculate the earnings power, relate primarily to the distributions of financial surpluses generated by the company. The basis for determining the fair value of an investment comprises a forecast of the earnings performance in the current year, detailed planning for the following year and, where appropriate, medium-term planning for the subsequent period of up to four years (planning phase I). For subsequent years beyond the horizon of planning phase I, it is regularly assumed that the company has an indefinite lifetime. For this purpose, a perpetual bond is calculated to reflect the sustainable situation of the affiliated company (planning phase II). These expected future profits are discounted as at the reporting date, taking account of anticipated distributions.

The discount rate applied reflects the return from an adequate alternative investment (in respect of maturity and risk) to the investment in the affiliated company and is derived on the basis of a capital market model. It comprises the components of the risk-free interest rate as per the basic interest rate and a risk premium to account for the uncertainty of future financial surpluses. In this case, the risk premium is the product of an average market risk premium and the beta factor, which expresses the specific risk structure of the relevant entity to be measured. The beta factor, as a relative measure, describes the extent to which the yield of the respective share in the affiliated company follows changes in the yield of the market portfolio.

To value investments in companies which are not listed on the stock exchange, comparison groups of securities traded on the stock exchange are formed and for each individual value, the beta factor is calculated in relation to the market portfolio, in other words the most extensive national share index that contains the security. In brief, the beta factor of the comparison group calculated in this way is a significant multiplier to determine value when calculating the capitalisation interest.

When measuring investments where there is no planning or which largely contain property and equipment, fair value is determined using the net asset value procedure. The assets of the company are not recognised at their carrying amount but at the possibly deviating fair value; they are then added up and adjusted by the fair value of the company's liabilities.

*h) Subordinated liabilities*

The subordinated liabilities of the NORD/LB Group are recognised as under financial liabilities at amortised cost. They consist of securitised and unsecuritised subordinated liabilities.

All silent partner contributions that were previously still in the portfolio and reported as subordinated liabilities were terminated by NORD/LB with effect from the end of 31 December 2022 and repaid in 2023.

*i) Structured products*

Structured products comprise two components: a host contract (e.g. security) and one or more embedded derivative financial instruments (e.g. swaps, futures or caps). Both components are the object of only one contract regarding the structured product, so these products constitute a legal unit and cannot be treated separately from one another due to the contractual unit.

For structured financial assets, the host contract and the derivative are classified in their entirety. Any financial liabilities requiring separation that are not allocated to the financial liabilities at fair value through profit or loss category are measured and reported separately. The host contract is accounted for and measured at amortised cost, whereas the embedded derivative is accounted for and measured as part of the trading portfolio.

*j) Hedge accounting (accounting for hedging transactions)*

The NORD/LB Group applies exclusively fair value hedge accounting on the basis of the provisions of IAS 39. With fair value hedging, assets or liabilities (or parts thereof) are hedged against changes in fair value. The Group's issue and lending transactions, as well as its liquidity management securities portfolios, are particularly exposed to a value fluctuation risk of this sort if such securities are interest bearing. Both individual transactions and single-currency portfolios in euros and US dollars are hedged against interest rate risk using fair value hedges. Interest-rate swaps or cross-currency interest-rate swaps are used as hedging derivatives.

The hedge accounting requirements, and in particular the proof of effective hedging, must be met on all reporting dates and for all hedging transactions. Prospective effectiveness testing in the NORD/LB Group is carried out with the critical term matching, market data shift methods and regression methods. The retrospective effectiveness test is performed using the regression method or the modified dollar offset method.

As regards the retrospective effectiveness test in the portfolio fair value hedge (PFVH), disposals from the hedged portfolios of underlying transactions are treated using the bottom-layer method.

The derivative financial instruments used for hedging purposes are recognised at fair value and are shown on the balance sheet as positive or negative fair values from hedge-accounting derivatives (Note (38) or Note (48) Positive/Negative fair values from hedge accounting derivatives). Measurement changes are recognised in the income statement (Note (27) 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 instrument expires, is disposed of or exercised, or when the hedge accounting requirements cease to be met. The hedging instruments in the portfolio fair value hedge accounting are entered into for a period of one month. For hedging and underlying instruments in effective hedging relationships, see Note (27).

In the 2023 financial year, the following two optimisations were made as part of the designation and measurement of portfolio fair value hedge accounting activities:

- The selection algorithm for determining representative swaps was expanded in May 2023 to include a subsidiary condition (inclusion of fair value amount and pull-to-par (PtP) effect). This adjustment to the designation algorithm was made with regard to the overarching business strategy of generating net interest income and to better reflect the overall present value interest rate risk management approach.
- The relevant discount curve for the valuation of EUR underlying instruments in the PFVH was adjusted to the 3M EURIBOR curve in February 2023. The objective of the measure was to continue to ensure a valuation in the PFVH in accordance with the Bank's internal management/valuation.

#### *k) Accounting for "day-one profits or losses"*

The transaction price upon initial recognition of a liability or asset regularly corresponds to the fair value. Under certain conditions defined in IFRS 13, this assumption must be reviewed on a case-by-case basis. If it is determined that the transaction price does not correspond to the fair value of the asset or liability, the resulting gain or loss (day one profit or loss) must be recognised through profit or loss in accordance with IFRS 13 unless other IFRS stipulate a different procedure.

The accounting of a day-one profit or loss for a financial instrument depends on the determination of the fair value at the time of initial recognition. If only observable market data is used, or if the fair value corresponds to the quoted price of an identical instrument on an active market, the day-one profit or loss is recognised directly in profit or loss. If this is not the case, i.e. if unobservable market data is included in the fair value calculation, the day-one profit or loss must be accrued instead. This accrual is shown separately from the fair value of the financial instrument and is reversed through profit or loss over the remaining term of the instrument.

#### *l) Securities repo and lending transactions*

In genuine securities repurchase (repo) transactions, the transfer of a security sold under a repurchase agreement ("repoed") does not result in a derecognition, since the transferring entity essentially retains all risks and rewards related to ownership of the subject of the repo. The transferred asset should therefore continue to be recognised in the seller's balance sheet and measured according to the respective category. The payment received must be recognised on the liabilities side as a financial liability. Agreed interest payments are recognised on an accrual basis under interest expenses.

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 recognised on an accrual basis under interest income.

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 (59) Transfer and derecognition of financial assets.

*m) Loan commitments and financial guarantees*

Loan commitments are only recognised at fair value on the balance sheet if they have been designated as such or can be settled in cash or through the delivery of other financial instruments. Furthermore, all loan commitments intended for syndication are recognised as derivatives and measured at fair value. However, all other 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 (70) Other financial liabilities).

The net method is used for financial guarantees issued and recognised in the NORD/LB Group. For this purpose, initial recognition is at fair value, which is zero because present-value entitlements and obligations generally balance one another out. The fair value is not subsequently carried forward. Premium payments received are recognised in the income statement. In case of pending utilisation, provisions are recognised in the amount of the expected present value utilisation.

Financial guarantees received are generally recognised as collateral within the scope of the risk assessment of the associated assets - insofar as they are of value.

With respect to the guarantees of the State of Lower Saxony on certain loan portfolios, these are not treated as financial guarantees within the meaning of the IFRS, but as credit derivatives (see Note (3) Development of the guarantee portfolio in connection with the guarantee contracts of the State of Lower Saxony).

*n) Securitisations*

Various financial assets from the credit business are securitised. For this purpose, use may be made of the synthetic securitisation method, or of the possibility of a "true sale" to special purpose entities (SPE) which, for their part, issue securities to investors (true-sale securitisation). Interest and principal payments relating to the securities depend on the performance of the underlying asset, and not on that of the issuer.

Balance-sheet treatment of transactions of this type depends on the type and method of securitisation. In the case of synthetic securitisation, the assets remain on the balance sheet and are recognised together with concluded credit derivatives as per the IFRS 9 requirements. For a true-sale securitisation, the assets are derecognised if and when the risks and rewards of said assets have (almost) been transferred in full to the SPE. If (almost) all risks and rewards from the assets have neither been transferred nor retained and if the NORD/LB Group still has title to the assets, they remain in the NORD/LB Group's balance sheet to the extent that the Group continues to participate in the risks and rewards (continuing involvement). If the SPE is consolidated, the assets remain on the consolidated balance sheet.

## (12) Risk Provisions

In accordance with the provisions of IFRS 9, a risk provision is recognised for expected losses and the risk provision already considered is used up for incurred losses or direct write-downs are made. The three-stage impairment model is applied to all debt instruments that are measured at amortised cost or at fair value through other comprehensive income, as well as to off-balance-sheet liabilities.

When initially recognised, all financial assets must be allocated to Stage 1 if objective indications of impairment are not already evident. The expected losses in this stage derive from the present value of the payment defaults expected from potential default events over the next twelve months. The expected losses as product of the exposure, the percentage probability of default over the next twelve months (determined on the basis of the internal rating classification) and the loss given default are determined. Interest income in this stage is recognised based on the gross carrying amount, i.e. by applying the effective interest rate to the carrying amount before deducting the expected losses.

If at a subsequent reporting date it is determined that the default risk has increased significantly since initial recognition, even though objective indications of impairment do not exist, the underlying financial assets must be transferred from Stage 1 to Stage 2. In this stage, risk provisioning must be recognised for the present value of the financial instrument's lifetime expected credit loss, taking into account the corresponding probability of default matching the relevant maturity. Interest is realised similar to Stage 1.

The NORD/LB Group uses quantitative and qualitative criteria of the financial asset 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 (PD). The parameter-based determination was expanded in the 2023 financial year to include a "PD backstop" criterion and is now carried out using two alternative criteria, each of which is composed of several factors to be met cumulatively as follows.

Criterion 1:

- The borrower's current one-year PD is at least 30 basis points above the initial (forward) one-year PD (absolute PD change).
- The borrower's current rating level is at least two notches above the rating level in relation to the initial (forward) one-year PD (relative PD change).
- The borrower's current rating level is poorer (higher) than the rating level at the time of addition.

Criterion 2:

- The borrower's current one-year PD is at least 30 basis points.
- The borrower's current one-year PD is at least 200 per cent above the initial (forward) one-year PD.

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. In the 2023 reporting year, the additional criterion of collective stage transfer was also introduced. If a significantly increased credit risk on sub-portfolios is identified on the basis of the internal credit risk models, which cannot (yet) be identified at individual item level, the stage transfer from Stage 1 to Stage 2 takes place for the selected assets.

Where there is an objective indication of impairment on the reporting date, the asset is transferred to Stage 3 and deemed credit-impaired. At this stage, risk provisioning is also measured as the present value of the expected losses over the remaining term. However, unlike at Stage 1 or 2, interest is recognised based on the net carrying amount, i.e. after deducting risk provisioning. This does not take the contractu-

ally agreed interest rate into account as interest income, rather the present value effect determined by accruing the net carrying amount (unwinding).

Significant criteria for objective evidence of impairment include, for example, arrears on interest and principal payments in excess of 90 days, or major financial difficulties on the part of the borrower, such as imputed and actual insolvency or sustained negative performance of a restructuring. These criteria also include concessions by the NORD/LB Group to the borrower, such as deferral of principal payments, exemption from interest or waiver of claim.

The definition used in the NORD/LB Group of an event triggering an impairment is based on the regulatory requirements for defining default pursuant to CRR. As a result, all loan receivables currently in default pursuant to CRR are allocated to Stage 3.

Financial assets which when purchased or issued already exhibit objective indications of impairment (purchased or originated credit impaired assets; POCI assets) are not subject to the "three stage model". In these cases, risk provisioning is not recognised upon initial recognition of the asset, because the lifetime expected credit loss is already taken into account appropriately through the measurement at fair value upon initial recognition. Risk provisioning is then recorded in subsequent periods for the amount of the change in the lifetime expected credit loss compared with the initial expected credit loss.

Financial assets which exhibit only a low default risk as at the financial reporting date may be allocated to Stage 1 without performing another review. The NORD/LB Group does not make use of the option to exercise the relief.

The simplified approach may be used in the case of trade receivables, lease receivables and certain assets as defined in IFRS 15, whereby an asset may be generally allocated to Stage 2 upon initial recognition independent of the change in its credit quality. The simplified approach is also not used in the NORD/LB Group.

If a significant increase in the default risk is no longer determined as at the reporting date, the respective financial asset must be transferred from Stage 2 back to Stage 1. The retransfer of a financial asset from Stage 3 to Stage 2 is necessary if there is no longer any objective evidence of impairment and the periods of good conduct applicable in accordance with CRR and the NORD/LB Group's default and recovery plan are complied with.

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

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

Risk provisioning is calculated at the level of the individual financial asset. For all Stage 1 and 2 financial assets and for non-significant Stage 3 financial assets, a parameter-based determination of the risk provi-

sion is made on the basis of probabilities of defaults, loss given defaults and exposures at default. For significant Stage 3 financial assets, an expert-based approach is used, taking into account several scenarios. The scenarios are determined and weighted depending on the risk, taking into account the special circumstances of the respective market segment (e.g. historical averages) and the individual case (e.g. market and earning power of the financed property). The number of scenarios to be applied depends on the significance of the risk associated with the individual claim. Different scenarios look at factors such as the timing and amount of expected cash flows in response to specific events (continuation of the exposure or disposal) as well as their estimated probability of occurrence.

In the case of assets at amortised cost, the risk provisioning determined reduces the reported value of the balance sheet item in which the financial asset is disclosed. For debt instruments measured at fair value through other comprehensive income, the risk provisioning is reported under accumulated other comprehensive income (OCI).

The expected loss model, broken down by Stage 1, 2 or 3, is used to determine the risk provisioning for off-balance-sheet obligations in the form of loan commitments and financial guarantees and reported as provisions in lending business.

If, in the course of the restructuring or liquidation of an exposure, it is expected that financial assets are irrecoverable, the relevant gross carrying amount is written down. Receivables that have been terminated and made interest-free are classified as irrecoverable if, among other things, payments are still being made, but the amount is so low and will probably not increase significantly, so that repayment will not be made within a reasonable period (e.g. ten years). Likewise, the receivable must be derecognised in the event of a waiver issued to the debtor or if a settlement offer confirmed by a court is accepted. 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.

### **(13) Property, Equipment and Investment Properties**

Investment properties comprise land and buildings/parts thereof held to obtain rental income and/or for capital appreciation purposes.

In the case of mixed-use real estate, the non-self-occupied parts are accounted for separately if they can be sold separately or leased separately under a finance lease. For properties with third-party use exceeding 20 per cent of the basic rental area, the entire property is accounted for under property and equipment. If own use is less than 10 per cent of the total leased area, it is reported under Investment Properties.

Property and equipment and investment properties is carried at cost upon acquisition; transaction costs are included in the initial measurement. Subsequent costs are capitalised provided that they result in a significant improvement of the asset and increase its future economic benefit.

Subsequent measurement of the assets takes into account straight-line depreciation according to their useful economic life. Impairments are applied at the amount at which the carrying amount exceeds the higher amount of fair value less the costs of disposal and value in use of the asset. If the reasons for an impairment no longer apply, a write-up is implemented up to a maximum of the amortised costs or amortised production costs. Depreciations are recognised under administrative expenses, while the impair-

ments as well as reversals of impairment losses are recognised under other operating profit/loss. Property and equipment and investment properties are depreciated over the following periods:

	Period of use in years
Buildings (Tangible assets)	1-99
Buildings (Investment Properties)	1-77
Operating and office equipment	1-25
Other property and equipment	1-75

The capitalised-earnings-value method is applied together with market data to determine the fair value of investment properties. The assessment was partly carried out by independent experts. All experts have the necessary qualifications and current experience.

#### (14) Leasing Transaction

Leasing transactions are recognised and measured in accordance with the provisions of IFRS 16. A distinction is made here between the characteristics of the accounting entity as lessee and as lessor. The scope of application covers all contracts for which the right to use or control an asset is transferred for an agreed period against remuneration.

##### NORD/LB as lessee

At the start of the lease, the NORD/LB Group recognises a leasing liability in the amount of the discounted, as yet unpaid lease payments payable over the contractually agreed term under the balance sheet item, other liabilities. To this end, the interest rate or incremental borrowing rate of interest underlying the lease for equivalent secured borrowings in the relevant contract currency is applied. This rate reflects the term of the lease with similar collateralisation and a similar value of the right-of-use in a comparable commercial situation and the creditworthiness of the Group company concluding the contract. In the event of negative incremental borrowing rates of interest, the as yet unpaid lease payments are not discounted. Received options with respect to extensions, termination or purchases are recognised when their exercise is highly probable. Below, the lease liability is increased by the expense arising from the accrued interest and reduced by the lease payments made.

The NORD/LB Group also recognises a right-of-use in the amount of the lease liability under the item property and equipment. Initial directly attributable costs incurred are capitalised together with the leased asset. Subsequently, the right-of-use is measured at amortised cost. Depreciations are recognised under administrative expenses, while the impairments as well as reversals of impairment losses are recognised under other operating profit/loss.

In the event of changes to the recognised leases, the lease liability and the corresponding right-of-use are remeasured.

The NORD/LB Group exercises the option to not record rights of use or leasing liabilities for short-term and low-value leases. The expenses from these contracts are recognised in the periods in which they occur as administrative expenses.

##### NORD/LB as lessor

Leases must be classified as finance leases or operating leases at the start of the lease. If all risks and rewards of ownership are essentially transferred to the lessee, the lease must be classified as a finance lease, otherwise the lease must be classified as an operating lease.

In a finance lease, a receivable in the sum of the lessee's payment obligations arising from the lease is recognised on the balance sheet on commencement of the lease term. The receivable is recognised at the net investment value (difference between gross investment in the lease and unearned financial income) and is carried under receivables. Directly attributable ancillary costs are distributed over the contract term. Lease payments are split into a principal component and an interest component. The principal component is deducted from the receivables directly in equity and the interest component is recognised through profit and loss as interest income received.

Under an operating lease, the leased asset is recognised as an asset at amortised cost and reported under property, and equipment, investment property or intangible Assets. The lease payments received are recognised under other operating profit/loss. Depreciation and amortisation are recognised under administrative expenses and impairment losses and reversals of impairment losses are recognised under other operating profit/loss. The assets in operating leases are written down over a period of 3 - 76 years.

#### **(15) Intangible Assets**

The main items recognised under intangible assets are acquired and internally developed software.

Intangible assets acquired by the Group are recognised on the balance sheet at cost. Internally developed intangible assets are capitalised at cost if the inflow of economic benefits is likely and expenses can be determined reliably. If capitalisation criteria are not met, costs are recognised immediately through profit and loss. Capitalised costs of internally developed software comprise expenses for internal and external services incurred during the development phase which are directly attributable (for customising and testing activities in particular). Subsequent amortised costs or amortised production costs are capitalised provided that they result in a significant improvement of the asset and increase its future economic benefit.

For intangible assets with a finite useful life, straight-line depreciation is recognised according to their useful economic life. Impairments are applied to intangible assets with a finite useful life at the amount at which the carrying amount exceeds the higher amount of fair value less the costs of disposal and value in use of the asset. Reversals of impairment losses are implemented when the reasons for the impairments no longer apply, but they may not exceed amortised costs or amortised production costs. Depreciations are recognised under administrative expenses, while the impairments as well as reversals of impairment losses are recognised under other operating profit/loss.

Intangible assets with a finite useful life are depreciated over a period of 3 to 14 years.

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

#### **(16) 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 rele-

vant assets are measured at fair value less costs of disposal, if this figure is lower than the carrying amount. Non-current assets classified as held for sale are no longer subject to depreciation as of the reclassification date. Impairment losses resulting from non-current assets and disposal groups are, however, recognised. Assets held for sale also include discontinued operations. A discontinued operation is a component of an entity classified as held for sale which represents a separate major line of business or geographical business segment, part of a plan to dispose of such a component, or a subsidiary acquired solely for resale.

#### **(17) Provisions for Pensions and similar Obligations**

According to IAS 19, direct and indirect pension liabilities from defined benefit plans are determined as at the reporting date by independent actuaries using the projected unit credit Method (PUC). Plan assets invested to cover defined benefit pension commitments and similar retirement benefits are measured at their fair values and offset against the corresponding obligations.

Differences between assumptions made and developments that actually take place as well as changes in the assumptions made when measuring defined benefit plans and similar obligations result in actuarial gains and losses, which are recognised under other comprehensive income (OCI) in the year during which they arise.

The balance of defined benefit pension commitments and similar retirement benefits, together with plan assets (net pension liability) 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. 2023	31 Dec. 2022
<b>Domestic</b>		
Actuarial interest rate	3.60	4.25
Salary development (weighted)	2.00	2.00
Pension development (contingent on the occupational pension scheme)	2.75	2.75
Cost increase rate for medical allowance	3.50	3.50
Mortality, invalidity, etc.	Grundlage Heubeck Sterbetafel 2018 G	Grundlage Heubeck Sterbetafel 2018 G
<b>Abroad (weighted parameters)</b>		
Actuarial interest rate	4.38	4.66
Salary development (weighted)	2.82	2.76
Pension development	3.28	3.22
Mortality, invalidity, etc.	USA RP-2014, GBS3PMA Light/S3PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R	USA RP-2014, GBS3PMA Light/S3PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R

### (18) Other Provisions

Other provisions are recorded for uncertain liabilities to third parties and onerous contracts if a present legal or constructive obligation results from an event in the past that is probable to result in an economic outflow that can be reliably measured. Provisions are measured according to the best estimate of the amount reasonably required to meet the present obligation on the reporting date. Management is responsible for this estimate. Empirical values from similar transactions and (as relevant) expert reports or specialists' opinions are included for this purpose. Risks and uncertainties are taken into account by measuring the obligation on the basis of the most probable event from a range of potential events. Future events which could influence the amount required to meet an obligation are taken into account if there are objective indications that they could occur. Provisions are discounted provided that the effect is significant.

### (19) Income Taxes

Current income tax assets and liabilities are calculated using the applicable tax rates at which the payment to or reimbursement from the taxation authority is expected. In the event that the amounts stated in the tax declarations may not be realised (uncertain tax items) current income tax liabilities have been recognised. The amount is determined from the best-possible estimate of the expected tax payment (expected value or most likely value of the uncertain tax). Current income tax assets from uncertain tax assets are recognised if it is likely that they can be realised. Only if there is a tax loss carried forward, no current income tax assets or liabilities for uncertain tax items are shown on the balance sheet, rather deferred tax claims are modified for tax losses carried forward that have not yet been used.

Deferred tax assets and liabilities are calculated from the difference between the carrying amount of an asset or liability on the balance sheet and the corresponding tax base. On account of the temporary differences, deferred tax assets and liabilities are likely to result in effects due to income tax reliefs or burdens in future periods. They are measured using the tax rates expected to be valid for the period in which an asset is recovered or a liability is settled. Entity-specific tax rates (and tax rules) are applied for this purpose, as valid or adopted at the reporting date.

A deferred tax asset is recognised for the carryforward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Current income tax assets and liabilities, and deferred tax assets and liabilities, are offset if the prerequisites for offsetting are met. No discounting is applied. Depending on the treatment of the underlying items, deferred tax assets and/or liabilities are recognised either in the income statement or in other comprehensive income (OCI).

Income tax assets and liabilities are recognised separately on the balance sheet, divided into actual and deferred assets and liabilities for the reporting year. The carrying amount of a deferred tax asset is impairment-tested as of each reporting date.

Income tax expense or income is recognised in the income taxes item in the group's income statement.

The NORD/LB Group generally falls within the scope of application of the OECD Pillar 2 Model Rules. Pillar 2 legislation was passed in Germany in 2023 and will enter into force for financial years beginning after 30 December 2023. As the statutory rules on Pillar 2 were thus not yet valid as at the reporting date, the NORD/LB Group is currently not subject to any tax burden in this respect. The Group also makes use of the exemption from accounting for deferred taxes in connection with Pillar 2 income taxes, which was the subject of the amendment to IAS 12 published in May 2023.

In accordance with the minimum tax legislation, the NORD/LB Group must pay an additional tax per country in the amount of the difference between the GloBE effective tax rate and the minimum rate of 15 per cent. Therefore, the NORD/LB Group has analysed the effects of Pillar 2 after the legislation came into force. According to this analysis, the Group would not have been subject to the minimum tax if the minimum tax had already applied in the 2021 and 2022 financial years. All Group companies are generally subject to a nominal and effective tax rate of more than 15 per cent. If the average effective tax rate falls below 15 per cent in individual cases due to special circumstances, NORD/LB would still not have to pay any Pillar 2 income taxes. This is due to the temporary relief arrangements (transitional safe harbour arrangements) and specific adjustments provided for in the Pillar 2 legislation, which result in deviations from the effective tax rates calculated on the basis of the consolidated financial statements.

Due to the complexity of applying the legislation and calculating GloBE income and GloBE covered taxes, the quantitative impact of the adopted minimum tax legislation cannot be estimated with absolute reliability. Even for jurisdictions with a nominal or effective tax rate of more than 15 per cent, there could therefore be tax effects due to Pillar 2.

## Segment Reporting

Segment reporting provides information on the Group's operational business segments. The segment reporting below is based on IFRS 8 "Operating Segments" in accordance with the management approach. The segment information is presented in accordance with IFRS 8 on the basis of internal reporting the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The total risk exposure amount was recognised uniformly for the business segments and the Group, shown pursuant to Article 92 (3) of Regulation (EU) No. 575/2013 as at the reporting date. As a result of a strategic realignment of the Corporate Customers division, the former Private and Commercial Customers and Savings Bank Network Customers and Corporate Customers segments were both reorganised and renamed on 1 June 2023. The new designations are Private & Commercial Customers and Corporate Customers & Savings Bank Network. This was accompanied by the shift of the previous sub-segment Savings Bank Network to the Corporate Customers segment. In addition, the Sales Wholesale Customers group was moved from an organisational perspective from the Markets segment to the Corporate Customers segment and at the same time renamed Corporate Sales. Since it is structurally a service centre, this move has no impact on revenue reporting. The costs will continue to be allocated to the corresponding wholesale areas via the cost allocation. In addition, the Special Credit & Portfolio Optimization (SCPO) segment was renamed Special Credit & Valuation (SCV). The previous year's figures were adjusted in line with the new business segment structure. In addition, a total of € 0.9 billion of the "Health Care" and "Property Developer" portfolios were transferred from the Corporate Customers business segment to the Commercial Real Estate business segment in June 2023 and a total of € 0.2 billion from the Corporate Customers business segment to the Special Credit & Valuation (SCV) business segment in October 2023.

### Segment reporting by business segment

The segments are defined as customer or product groups which reflect the organisational structures and thus the internal control of the Group. The calculation is based on the internal assessments of the Group companies. Internal control focuses on the earnings before taxes of the operational units.

The product ranges offered in the segments are described in the following notes. The income generated from them is presented in the following overview table. The product range of the NORD/LB Group offered comprises traditional credit business and syndicate business, savings and checking products, securities, foreign exchange and derivative transactions, complex structured finance solutions, private banking products, liquidity and risk management, as well as services such as account management, payment transactions, securities trading, brokerage activities, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

### Performance indicators and key figures

Net interest income generated by the individual segments is calculated based on the market interest rate method. In doing so, the contribution from interest terms for each transaction is determined by comparing the terms with the structurally congruent market rate for a notional offsetting transaction applicable at the time they were concluded. This market interest rate is also used as the cost rate for the balancing provision in Treasury. As a result, there is no gross recognition of interest income and interest expenses. The financing income from committed equity is distributed across business segments.

Every interest-bearing customer transaction is applied to the balancing provision held by Treasury as the central cash management unit. As there are no direct business relationships between the segments, no inter-segment earnings are recognised in internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and distributed overhead costs. Risk provisioning is allocated to the segments according to actual costs incurred.

The Bank's overall earnings, such as the profit/loss from hedge accounting and the disposal profit/loss from financial instruments not measured at fair value through profit or loss, are not allocated to the operational business segments, but rather to the "Treasury / Consolidation / Others" segment.

In addition to the profit and loss account figures, the attributable total risk exposure amount, segment assets and liabilities, capital employed and the key figures of cost-income ratio (CIR), return on risk adjusted capital (RoRaC) and return-on-equity (RoE) are also presented in the segment report. The total risk exposure amount pursuant to CRR/CRD will be reported as at the reporting date. The cost-income ratio is defined as the ratio of administrative expenses to the sum of the following types of income: Net interest income, net commission income, profit/loss from fair value measurement, disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

Employed capital in the segments is calculated on the basis of average annual values. The amount of the reconciliation between the employed 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 reporting.

The following segments are considered in the segment reporting by business segment:

#### **Private and commercial customers business segment**

In addition to the Private and Corporate Customers business area, it includes a holding in the Öffentliche Versicherung Braunschweig.

#### **Private and commercial customers**

The Private and Commercial Customers segment includes private banking and commercial customers, corporate retail customers, branch advisory customers and service customers in the business area of Braunschweigische Landessparkasse (BLSK) and the locations in Hanover, Hamburg and Oldenburg (private investors). BLSK's business area comprises Brunswick and the parts of the former Duchy of Brunswick, which are now part of the federal State of Lower Saxony. As an institution with partial legal capacity within NORD/LB, BLSK is a savings bank established on the market with a high degree of business independence ("BLSK 2.0"). BLSK's range of products and services is based on the financial concepts of the customer-segment-specific savings banks, including the range of products offered by the savings bank network partners, including the Öffentliche Versicherung Braunschweig.

#### **Corporate customers & savings bank network business segment**

The Corporate Customers and Savings Banks Network business segment comprises NORD/LB's medium-sized and high-end corporate customer business, its business with savings banks in the states of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania (Associated Territory), as well as business with savings banks in Brandenburg and Schleswig-Holstein (Extended Associated Territory) and municipal business. The corporate customer business operates throughout Germany - in close cooperation and coordination with the savings banks in the network area - with the aim of being the core bank for the majority of our customers. This means being seen as a reliable partner in Germany and its neighbouring countries, for medium-sized and high-end corporate customers with a focus on three core regions: north, middle and south. Financing for energy and infrastructure projects is supported in the Germany, Austria and Switzerland region in close cooperation with the Structured Finance division, which is responsible for

project-related financing structures. Furthermore, the corporate customers business also includes the financing of corporate acquisitions by private equity companies and the refinancing of leasing companies. From the perspective of the Landesbank, the savings banks of the states of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania as well as Schleswig-Holstein and Brandenburg have three roles: They are owners, customers and a point of access to a broad market of customers. The central giro function for network savings banks forms the basis of the business relationship with the owners of the savings banks and in Schleswig-Holstein. It includes payment transactions, foreign payment transactions, promotional business (mainly KfW pass-through loans) as well as liquidity provision and refinancing of savings banks. In addition, there are services for savings banks for will enforcement and asset management. The aforementioned business activities are offered to savings banks in the extended network on an opportunistic basis. In the municipal business, there is a regionally operated municipal loan business and a nationwide range of capital market products. In addition, the Structured Solutions and Products division is responsible for product sales (including financial market products) for the corporate customer and savings bank network business, and depending on the products involved the Special Finance business (energy and infrastructure, aircraft and commercial real estate financing).

#### **Markets business segment**

The core competence of the Markets business segment is the trading of capital market products and capital market-related products with institutional customers. Markets also acts as a centre of expertise/producer for capital market products. In terms of the capital market business, the focus is on interest, credit, money market and foreign currency products as well as structured products. 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 institutional customers as required. The Markets business segment is the operator of NORD/LB's Financial Markets platform. This includes, in particular, the DCM platform, which brings together issuers and investors, and the ABF platform, which offers capital-market-related and low-risk credit products to the Bank's customers. The customer groups start with German and European institutional investors (insurance companies, asset managers, pension plans, public authorities and corporate customers) and extend to (mainly) European public sector issuers and financial institutions. The regional focus of business activities is on Germany and the German-speaking region, supplemented by the international sales approach for Europe taken by NORD/LB Luxembourg S.A. Covered Bond Bank. In addition to the sales business, the Markets segment also offers traditional trading services (market access for customers in the product groups of interest, foreign currency and their derivatives). In the trading business, the focus is on strengthening customer-generated income across all customer groups. An expansion in the product range geared towards the needs of customers and an increase in cross-selling activities should support the customer areas with increased customer penetration and further exploit existing earnings potential.

#### **Special finance business segment**

The Special Financing segment consists of the Energy and Infrastructure Customers and Aviation Finance & Investment Solutions (AFIS) business areas.

#### *Energy and infrastructure customers*

The central locations of the Energy and Infrastructure business area are Hanover, London, Oldenburg and New York. Customers are also managed at the Singapore office. At the heart of this is the development of customer relationships with sustainable earning structures and acceptable risks. The focus is on structuring and arranging individual and sustainable financing solutions for predominantly project-related transactions in the areas of energy and infrastructure. In the Germany, Austria and Switzerland region, this takes place in close cooperation with the Corporate Clients division, which is responsible for corporate financing structures. In the Energy sub-area, the focus is on predominantly project-related transactions in the renewable energy sectors, in particular wind and solar/photovoltaics in Europe. Individual gas projects and high-voltage grids as well as other neighbouring sectors (e.g. electricity storage) are also financed. The focus of the infrastructure sub-division is on the "public buildings", "economic and digital infrastructure" and "rail-based transportation" sectors.

#### *Aviation finance & investment solutions (AFIS)*

The Aviation Finance & Investment Solutions (AFIS) business area bundles the Aircraft Customers business segment on the one hand and credit placement activities using the networks with banks and institutional investors for alternative investments (individual and portfolio transactions) across all NORD/LB asset classes on the other. At the time of preparing the consolidated report, various options for further alignment were being examined for the Aircraft Customers business segment. This is part of the regular strategy process. Until then, the previous strategic direction will apply. The new "Sustainable Transportation" business case also supports customers in the transport sector in their transition to greater sustainability. NORD/LB finances the increasing decarbonisation of the transport sector and actively supports their customers in their transformation. The Aircraft Customers business segment encompasses primarily asset-based aircraft financing and is based mainly at the Hanover location with additional sales heads in Singapore, London and New York. In addition to the commercial financing of aircraft and the provision of corporate loans, other cross-selling products such as derivatives are offered in this business segment. With the functionalities of Investment Solutions, DBE AFIS is pursuing NORD-LB's goal to push the development from a credit bank towards an enhanced originate-to-distribute business model. This is intended to successively decouple income from the Bank's own balance sheet and achieve commission income that is largely free of credit risk. To this end, capital market customers should benefit from NORD/LB's asset and structuring expertise by either making co-investments or sole investments in business originating from NORD/LB as part of placements of individual transactions or customised transaction packages. Here, the focus is on aviation, as well as the energy and infrastructure, real estate and corporate customers asset classes.

#### **Commercial real estate business segment**

DBE Deutsche Hypo'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. These are regarded as fungible investment properties as they can normally be rented or can be rented on a long-term basis. The Bank also finances commercial properties in the hotel, logistics and other segments as well as combinations of the aforementioned asset classes with different focal points (mixed-use properties).

**Special credit & valuation overall bank management function**

Special Credit & Valuation (SCV, formerly SCPO) was created in 2020 from the previous DBEs Special Credit Management (SKM) and the internal reduction unit DBE Strategic Portfolio Optimization (SPO). The division does not represent a strategic business segment, but serves as, among other things, an area with an overall bank management function for the winding down of non-strategic customer relationships and asset classes, which was defined as part of the EUC business plan. This includes ship finance and the "supra-regional municipal financing" reduction portfolio as well as the "corporate customers", "agricultural customers" and "housing industry" reduction sub-portfolios. The ship portfolio has been largely wound down. The remaining exposure is still largely subject to risk shielding through the financial guarantee of the State of Lower Saxony. The remaining reduction or partial reduction portfolios will be reduced primarily as part of the regular repayment process.

**Treasury/consolidation/others overall bank management function**

This overall bank management function covers all other performance indicators directly related to business activities, such as Group companies not recognised in the segments, earnings components not allocated to the segments at overall institution level, profit or loss from financial instruments not recognised in the economic performance of the business segment (in particular from central measurement effects), from financial investments and from hedge accounting, as well as overall bank projects and consolidation items. Other operating profit/loss also includes bank levies. The segment also includes the Treasury division. Treasury makes a significant contribution to NORD/LB's sustainable business development by managing liquidity, funding, interest rate, interest rate option and currency risks in the operating banking book. In addition, Treasury provides the market areas with cost rates, particularly for credit transactions, as part of the preliminary calculation and advises them at an early stage on complex transactions in the new business process so that viable refinancing solutions can be achieved for customers and the Bank. In addition, Treasury has direct market access to the international money and repo markets. Treasury also uses direct access to the credit markets to invest RWAs and actively manage credit risks. As an integral part of liquidity and funding management, Treasury is responsible for NORD/LB's issuance activities. These activities mainly involve issuing covered and uncovered issues via private placements and large-volume benchmark issues on the capital market. As part of the implementation of the Bank-wide ESG approach, Treasury is responsible for establishing the issuability of green bonds. This makes Treasury a significant component in presenting a green value chain in full, starting with green assets (green buildings) through to the issue of green bonds. In addition, the expansion of ESG-compliant issue activities is always being further developed. Following the recent integration of corresponding assets from the Renewable Energies business segment, further possible business segments are expected to follow with the aim of establishing NORD/LB as a broad-based issuer of ESG bonds on the market. On this basis, it should continuously expand the existing investor base for sustainable emissions.

**Reconciliation**

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

**Segment reporting by region**

Regional distribution of income, earnings before taxes, segment assets and segment liabilities is based on the domicile of the branch or Group company concerned. Consolidation-related circumstances are shown separately.

**(20) Segment Reporting by Business Segment**

1 Jan. - 31 Dec. 2023	Private and Commercial Customers	Corporate Customers & Savings Bank Network	Markets	Special Finance	Commercial Real Estate	Special Credit & Valuation	Treasury / Consolidation / Others	Reconciliation	NORD/LB Group
(in € million)									
Net interest income	231	364	36	268	213	30	- 102	35	1 076
Net commission income	69	72	35	88	22	- 28	- 14	- 35	209
Profit/loss from financial instruments at fair value	1	11	74	- 38	- 7	- 7	- 109	- 30	- 105
Risk provisions	6	- 35	- 10	25	- 132	46	6	- 5	- 99
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	-	-	-	-	-	-	15	- 1	14
Profit/loss from hedge accounting	-	-	-	-	-	-	19	-	19
Profit/loss from shares in companies	-	-	-	-	-	-	94	-	94
Profit/loss from investments accounted for using the equity method	2	-	-	-	-	-	2	-	4
Administrative expenses	- 246	- 186	- 118	- 181	- 89	- 18	- 64	- 6	- 908
Other operating profit/loss	- 1	0	1	7	- 2	0	17	- 4	18
<b>Earnings before restructuring and transformation</b>	<b>61</b>	<b>227</b>	<b>19</b>	<b>168</b>	<b>6</b>	<b>23</b>	<b>- 136</b>	<b>- 45</b>	<b>322</b>
Profit/loss from restructuring and transformation	-	-	-	-	-	-	- 52	-	- 52
<b>Earnings before taxes</b>	<b>61</b>	<b>227</b>	<b>19</b>	<b>168</b>	<b>6</b>	<b>23</b>	<b>- 188</b>	<b>- 45</b>	<b>271</b>
Income taxes	-	-	-	-	-	-	-	- 47	- 47
<b>Consolidated profit/loss</b>	<b>61</b>	<b>227</b>	<b>19</b>	<b>168</b>	<b>6</b>	<b>23</b>	<b>- 188</b>	<b>- 92</b>	<b>224</b>
Segment assets	7 040	34 141	8 513	17 654	17 264	3 435	23 637	298	111 981
of which: investments accounted for using the equity method	40	-	-	-	-	-	17	-	57
Segment liabilities	8 824	10 231	33 260	4 081	504	1 249	54 345	- 513	111 981
Total risk exposure amount	3 611	11 356	2 928	8 434	7 700	530	3 892	2 121	40 572
Capital employed <sup>1)</sup>	565	1 688	467	1 231	1 078	86	952	773	6 838
CIR	81.8%	41.5%	80.6%	56.0%	39.1%	-430.0%			73.5%
RoRaC/RoE <sup>2)</sup>	10.8%	13.4%	4.1%	13.6%	0.5%	27.2%			4.0%

1 Jan. - 31 Dec. 2022	Private and Commercial Customers	Corporate Customers & Savings Bank Network	Markets	Special Finance	Commercial Real Estate	Special Credit & Valuation	Treasury / Consolidation / Others	Reconciliation	NORD/LB Group
(in € million)									
Net interest income	153	329	115	210	169	49	- 95	- 34	896
Net commission income	67	62	36	74	22	- 40	- 18	- 37	166
Profit/loss from financial instruments at fair value	3	30	17	80	4	- 33	- 195	- 11	- 104
Risk provisions	- 43	- 77	0	179	23	54	2	3	142
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	-	-	-	-	-	-	- 33	- 0	- 33
Profit/loss from hedge accounting	-	-	-	-	-	-	20	-	20
Profit/loss from shares in companies	-	-	-	-	-	-	7	-	7
Profit/loss from investments accounted for using the equity method	2	-	-	-	-	-	32	-	34
Administrative expenses	- 246	- 154	- 127	- 168	- 74	- 45	- 88	- 8	- 909
Other operating profit/loss	- 8	- 3	0	9	2	1	- 22	- 28	- 48
<b>Earnings before restructuring and transformation</b>	<b>- 71</b>	<b>187</b>	<b>42</b>	<b>385</b>	<b>146</b>	<b>- 14</b>	<b>- 390</b>	<b>- 114</b>	<b>171</b>
Profit/loss from restructuring and transformation	- 0	-	-	-	- 0	-	- 67	-	- 67
<b>Earnings before taxes</b>	<b>- 71</b>	<b>187</b>	<b>42</b>	<b>385</b>	<b>146</b>	<b>- 14</b>	<b>- 456</b>	<b>- 114</b>	<b>104</b>
Income taxes	-	-	-	-	-	-	-	- 15	- 15
<b>Consolidated profit/loss</b>	<b>- 71</b>	<b>187</b>	<b>42</b>	<b>385</b>	<b>146</b>	<b>- 14</b>	<b>- 456</b>	<b>- 130</b>	<b>89</b>
Segment assets	7 138	35 124	9 691	17 054	15 148	4 056	20 316	799	109 325
of which: investments accounted for using the equity method	40	-	-	-	-	-	16	-	56
Segment liabilities	9 534	9 178	30 970	4 430	486	1 845	50 707	2 174	109 325
Total risk exposure amount	3 942	11 760	3 140	8 479	6 742	658	2 811	2 611	40 142
Capital employed <sup>1)</sup>	550	1 549	455	1 063	921	145	862	1 195	6 739
CIR	113.2%	36.7%	75.3%	44.9%	37.7%	-191.1%			97.6%
RoRaC/RoE <sup>2)</sup>	-13.0%	12.1%	9.2%	36.2%	15.8%	-9.5%			1.5%

<sup>1)</sup> Reconciliation of long-term equity under commercial law to reported equity:

(in € million)	31 Dec. 2023	31 Dec. 2022
Long-term equity under commercial law	6 838	6 739
Accumulated OCI	- 198	- 528
Earnings after taxes	224	89
<b>Reported equity</b>	<b>6 865</b>	<b>6 300</b>

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

**(21) Segment Reporting by geographical Segment**

1 Jan. - 31. Dec.2023	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolida- tion	NORD/LB Group
(in € million)						
Earnings <sup>1)</sup>	900	188	96	25	28	1 235
Earnings before taxes (EBT)	33	112	35	12	79	271
Segment assets	110 433	8 182	3 595	1 895	- 12 124	111 981
Segment liabilities	110 433	8 182	3 595	1 895	- 12 124	111 981
Total risk exposure amount	34 662	5 123	2 829	931	- 2 973	40 572
Capital employed	5 724	609	380	126	-	6 838
CIR	92.2%	34.2%	49.1%	79.3%		73.5%
RoRaC/RoE <sup>2)</sup>	0.6%	18.4%	9.2%	9.4%		4.0%

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

<sup>1)</sup> 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.

<sup>2)</sup> RoRaC at the segment level:

Earnings before taxes / Tier 1 capital employed

RoE at company level:

Earnings before taxes / long-term equity under commercial law (= reported equity - OCI (up until 2017: revaluation reserve) - consolidated profit.

## Note to the Income Statement

### (22) 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.

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
<b>Interest income from assets</b>			
<b>Interest income from financial assets at fair value through profit or loss</b>			
Interest income from trading assets	2 826	1 436	97
Interest income from trading and hedge accounting derivatives	2 626	1 315	100
Interest income from debt securities and other fixed interest securities	42	12	> 100
Interest income from loans and advances	158	109	45
Interest income from financial instruments mandatorily at fair value through profit or loss	16	14	17
Interest income from debt securities and other fixed interest securities	6	6	6
Interest income from loans and advances	10	8	25
	<b>2 843</b>	<b>1 450</b>	<b>96</b>
<b>Interest income from financial assets at fair value through other comprehensive income</b>			
Interest income from debt securities and other fixed interest securities	167	138	21
Interest income from loans and advances	6	10	- 41
	<b>173</b>	<b>148</b>	<b>17</b>
<b>Interest income from financial assets at amortised cost</b>			
Interest income from debt securities and other fixed interest securities	110	93	19
Interest income from loans and advances	2 789	1 647	69
Interest income from impaired debt securities and other fixed interest securities as well as loans and advances	10	7	49
	<b>2 910</b>	<b>1 747</b>	<b>67</b>
<b>Dividend income</b>	15	14	7
<b>Other interest income and similar income</b>			
Interest income from hedge accounting amortisations	336	192	75
Other interest income and similar income	125	92	35
	<b>461</b>	<b>284</b>	<b>62</b>
	<b>6 402</b>	<b>3 643</b>	<b>76</b>

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
<b>Interest expenses from assets</b>	<b>- 1</b>	<b>- 30</b>	<b>- 97</b>
<b>Interest expenses from liabilities</b>			
<b>Interest expenses from financial liabilities at fair value through profit or loss</b>			
Interest expenses from trading liabilities	- 2 889	- 1 352	> 100
Interest expenses from trading and hedge accounting derivatives	- 2 887	- 1 352	> 100
Interest expenses from deposits	- 2	-	-
Interest expenses from financial liabilities designated at fair value through profit or loss	- 107	- 96	11
Interest expenses from deposits	- 84	- 79	6
Interest expenses from securitised liabilities	- 23	- 17	36
	<b>- 2 996</b>	<b>- 1 448</b>	<b>&gt; 100</b>
<b>Interest expenses from financial liabilities at amortised cost</b>			
Interest expenses from deposits	- 1 510	- 801	89
Interest expenses from securitised liabilities	- 351	- 196	79
	<b>- 1 862</b>	<b>- 997</b>	<b>87</b>
<b>Other interest expenses and similar expenses</b>			
Interest expenses from hedge accounting amortisations	- 361	- 325	11
Other interest expenses and similar expenses	- 108	3	> 100
	<b>- 469</b>	<b>- 322</b>	<b>46</b>
	<b>- 5 326</b>	<b>- 2 767</b>	<b>92</b>
<b>Interest income from liabilities</b>	<b>1</b>	<b>50</b>	<b>- 97</b>
<b>Total</b>	<b>1 076</b>	<b>896</b>	<b>20</b>

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

### (23) Net Commission Income

	1 Jan. - 31. Dec. 2023 (in € million)	1 Jan. - 31. Dec. 2022 (in € million)	Change (in %)
<b>Commission income</b>			
Lending and guarantee business	157	95	65
Account management and payment transactions	45	43	5
Trust activities	1	1	-
Securities and custody business	32	36	- 12
Brokerage business	35	84	- 58
Other commission income	9	9	-
	<b>278</b>	<b>268</b>	<b>4</b>
<b>Commission expenses</b>			
Lending and guarantee business	- 54	- 83	- 35
Account management and payment transactions	- 2	- 2	-
Securities and custody business	- 8	- 8	-
Brokerage business	- 2	- 5	- 62
Other commission expenses	- 4	- 4	-
	<b>- 70</b>	<b>- 102</b>	<b>- 32</b>
<b>Total</b>	<b>209</b>	<b>166</b>	<b>26</b>

Commission expenses predominantly included the commission to be paid by NORD/LB in return for the granting of guarantees by the State of Lower Saxony. In the reporting period, this amounted to € 23 million (€ 37 million) for the Special Credit & Valuation segment and € 4 million (€ 11 million) for the reference portfolio from the Aircraft Customers segment.

Commission income included income from financial instruments not recognised in profit or loss reported at fair value in the amount of 233 Mio € (€ 174 million) as well as costs from financial instruments not recognised through profit and loss reported at fair value in the amount of 64 Mio € (€ 93 million).

#### (24) Profit/Loss from Fair Value Measurement

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)	Change (in %)
<b>Trading result</b>			
Profit/loss from derivatives			
Interest-rate risks	- 7	- 381	- 98
Currency risks	- 48	78	> 100
Share-price and other price risks	1	- 3	> 100
Credit derivatives	- 39	- 57	- 32
	- 92	- 363	- 75
Profit/loss from debt-securities and other fixed-interest securities	37	- 250	> 100
Profit/loss from receivables held for trading	203	- 498	> 100
Profit/loss from short sales	- 1	1	> 100
Other trading result	- 5	- 5	4
	141	- 1 115	> 100
<b>Profit/loss from financial assets at fair value through profit or loss</b>			
Profit/loss from equity instruments	2	- 3	> 100
Profit/loss from debt-securities and other fixed-interest securities	9	- 44	> 100
Profit/loss from receivables	2	- 11	> 100
	14	- 58	> 100
<b>Profit/loss from designated financial instruments at fair value through profit or loss</b>			
Profit/loss from deposits	- 224	899	> 100
Profit/loss from securitised liabilities	- 48	151	> 100
	- 272	1 050	> 100
<b>Foreign exchange result</b>	12	19	- 35
<b>Total</b>	- 105	- 104	1

**(25) Risk Provisions**

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)	Change (in %)
<b>Risk provisions of financial assets at fair value through other comprehensive income</b>			
Income from the reversal of risk provisions for			
Debt securities and other fixed interest securities	2	2	-
	2	2	-
Expenses from allocations to risk provisions for			
Debt securities and other fixed-interest securities	- 1	- 1	-
	- 1	- 1	-
	1	1	-
<b>Risk provisions of financial assets at amortised cost</b>			
Income from the reversal of risk provisions for			
Debt securities and other fixed interest securities	1	1	-
Loans and advances	348	533	- 35
	348	534	- 35
Expenses from allocations to risk provisions for			
Loans and advances	- 471	- 405	16
	- 471	- 405	16
	- 123	129	> 100
<b>Provisions in lending business</b>			
Income from the reversal	25	29	- 14
Expenses from allocation	- 21	- 35	- 40
	3	- 6	> 100
<b>Recoveries of receivables written off</b>	50	42	19
<b>Direct write-offs</b>	- 33	- 25	32
<b>Premium payments for credit insurance</b>	- 1	-	-
<b>Modification results</b>	4	1	> 100
<b>Total</b>	- 99	142	> 100

The modification results of € 3 million (€ 1 million) were due to the modification of assets measured at amortised cost and at fair value through other comprehensive income and for which the risk provisions was determined based on lifetime expected credit loss. The corresponding gross carrying amount amounted to € 356 million (€ 235 million) before the modification.

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

	1 Jan.-30 Dec. 2023 (in € million)	1 Jan.-30 Dec. 2022 (in € million)	Change (in %)
<b>Disposal profit/loss from financial assets at fair value through other comprehensive income</b>			
Disposal profit/loss from			
Debt securities and other fixed interest securities	- 14	- 8	73
	- 14	- 8	73
<b>Disposal profit/loss from financial assets at amortised cost</b>			
Disposal profit/loss from			
Loans and advances	8	- 1	> 100
	8	- 1	> 100
<b>Disposal profit/loss from financial liabilities at amortised cost</b>			
Disposal profit/loss from			
Deposits	3	- 30	> 100
Securitised liabilities	17	6	> 100
	20	- 24	> 100
<b>Total</b>	<b>14</b>	<b>- 33</b>	<b>&gt; 100</b>

Income of € 12 million (€ 3 million) from financial instruments measured at amortised cost and expenses of € -4 million (€ -4 million) resulted primarily from hedging contributions as part of the disposals of commercial real estate loans.

**(27) 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. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)	Change (in %)
<b>Profit/loss from micro fair value hedges</b>			
from hedged items	- 36	- 579	- 94
from derivatives designated as hedging instruments	53	589	- 91
	17	10	72
<b>Profit/loss from portfolio fair value hedges</b>			
from hedged items	- 211	1 261	> 100
from derivatives designated as hedging instruments	214	- 1 251	> 100
	2	10	- 78
<b>Total</b>	<b>19</b>	<b>20</b>	<b>- 3</b>

**(28) Profit/Loss from Shares in Companies**

Income from shares in companies includes current income, valuation results recognised through profit and loss and disposal results from non-consolidated company shares.

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)	Change (in %)
Profit/loss from shares in joint ventures	- 2	1	> 100
Profit/loss from shares in associated companies	- 0	9	> 100
Profit/loss from other shares in companies	97	- 3	> 100
<b>Total</b>	<b>94</b>	<b>7</b>	<b>&gt; 100</b>

The result from other shares in companies mainly includes results from the valuation of LBS Landesbausparkasse NordWest and DekaBank Deutsche Girozentrale.

**(29) Profit/Loss from Investments accounted for using the Equity Method**

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

	1 Jan.-31 Dec. 2023 (in € million)	1 Jan.-31 Dec. 2022 (in € million)	Change (in %)
Shares in associated companies	4	34	- 88
<b>Total</b>	<b>4</b>	<b>34</b>	<b>- 88</b>

**(30) Administrative Expenses**

	1 Jan.-31 Dec. 2023 (in € million)	1 Jan.-31 Dec. 2023 (in € million)	Change (in %)
<b>Staff expenses</b>			
Wages and salaries	- 370	- 354	5
Social insurance contributions	- 52	- 52	0
Expenditure on pension schemes and other benefits	- 28	- 43	- 34
Other staff expenses	- 5	- 4	35
	<b>- 456</b>	<b>- 453</b>	<b>1</b>
<b>Other administrative expenses</b>			
Costs for IT and communications	- 203	- 229	- 11
Building occupancy costs	- 33	- 24	38
Expenses for marketing, communications and entertainment	- 15	- 14	6
Personnel-related material expenses	- 15	- 12	24
Costs for legal, auditing, appraisal and consulting services	- 75	- 63	19
Levies and contributions	- 15	- 15	-
Expenses for operating and office equipment	- 4	- 4	-
Expenses for leasing	- 1	- 1	-
Other administrative expenses	- 49	- 30	63
	<b>- 409</b>	<b>- 392</b>	<b>4</b>
<b>Amortisation and depreciation</b>			
Property and equipment	- 24	- 33	- 27
Investment property	- 5	- 3	75
Intangible assets	- 14	- 28	- 50
	<b>- 43</b>	<b>- 64</b>	<b>- 33</b>
<b>Total</b>	<b>- 908</b>	<b>- 909</b>	<b>- 0</b>

Personnel expenses included expenses for defined contribution plans in the amount of € 7 million (€ 6 million).

### (31) Other operating Profit/Loss

	1 Jan.-31 Dec. 2023 (in € million)	1 Jan.-31 Dec. 2022 (in € million)	Change (in %)
<b>Other operating income</b>			
Income from the reversal of provisions	4	16	- 77
Rental income from investment property	12	11	11
Income from the disposal of non-financial assets	1	14	- 90
Reimbursements	6	7	- 14
Other operating income	145	39	> 100
	<b>168</b>	<b>87</b>	<b>94</b>
<b>Other operating expenses</b>			
Expenses from bank levy and deposit protection fund	- 76	- 77	- 2
Expenses from allocation to provisions	- 18	-	-
Expenses from additions of impairment losses on non-financial assets	- 13	- 12	6
Expenses from Investment property	- 4	- 4	6
Expenses from the disposal of non-financial assets	- 1	- 1	44
Other taxes	- 18	- 20	- 12
Other operating expenses	- 21	- 21	- 2
	<b>- 150</b>	<b>- 135</b>	<b>11</b>
<b>Total</b>	<b>18</b>	<b>- 48</b>	<b>&gt; 100</b>

Other operating income mainly included a gain of € 109 million arising from the merger of LBS NORD, which was previously included in NORD/LB's consolidated financial statements using the equity method, with LBS West, which does not belong to the Group.

The allocations to provisions are essentially recourse risks.

### (32) Profit/Loss from Restructuring and Transformation

Profit/loss from restructuring and transformation totalling € 52 million (€ 67 million) resulted from expenses and income as part of the NORD/LB restructuring programme. The related measures led to a fundamental restructuring of the Group. The expenses and income arising are not assigned to the operating business activities of the NORD/LB Group, but shown separately due to their significance and their extraordinary non-recurring nature. These are both personnel costs and expenses for consultancy services incurred during the Group's transformation for strategy, implementation, IT and legal consultancy.

**(33) Income Taxes**

	1 Jan.-31 Dec. 2023 (in € million)	1 Jan.-31 Dec. 2022 (in € million)	Change (in %)
<b>Current taxes on income and earnings</b>			
Tax expenses / income for the current year	- 61	- 44	39
Tax expenses / income for previous years	10	6	67
	- 51	- 38	34
<b>Deferred taxes</b>			
Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered	5	20	- 74
Deferred taxes due to changes in tax legislation / tax rates	- 1	2	> 100
Deferred taxes due to temporary differences in previous periods not previously considered	-	1	- 100
	4	23	- 81
<b>Total</b>	- 47	- 15	> 100

The current tax expense for the current financial year was reduced by € 50 million (€ 37 million) due to the use of tax losses not taken into account in previous years.

The following tax reconciliation shows an analysis of the difference between the expected income tax expense that would result from applying the German income tax rate to IFRS earnings before taxes and the income tax expense that was actually reported.

	1 Jan.-31 Dec. 2023 (in € million)	1 Jan.-31 Dec. 2022 (in € million)
<b>IFRS earnings before taxes</b>	<b>271</b>	<b>104</b>
Anticipated income tax result	- 87	- 33
<b>Effects of reconciliation:</b>		
Effects of differing tax rates	13	- 11
Taxes from previous years reported in the reporting period	10	7
Effects of changes in tax rates	- 1	2
Non-creditable income taxes	- 1	- 1
Non-deductible operational expenditure	- 39	- 29
Effects of tax-free earnings	16	18
Effect of permanent accounting-related effects	50	- 4
Effects of write-ups / write-downs / recognition adjustments	- 10	37
Other effects	2	- 1
<b>Reported income tax result</b>	<b>- 47</b>	<b>- 15</b>

The expected income tax expense in the tax reconciliation is calculated from the corporate tax rate of 15 per cent applicable in Germany in 2023 plus a solidarity surcharge of 5.5 per cent and the average commercial tax rate of approx. 16.2 per cent. This resulted in a domestic income tax rate of 32.0 per cent (32.0 per cent).

Deferred taxes of the domestic Group entities are measured at the tax rate of 32.0 per cent (32.0 per cent) applicable at the reporting date or in the future.

The impact of different tax rates is based on different tax rates in different countries. The effects of valuation allowance/recognition corrections include, among other things, the effects from the subsequent increase or decrease in the recognition of loss carryforwards as well as from unrecognised deferred tax assets on temporary differences and loss carryforwards.

## Notes to the Statement of Comprehensive Income

Income tax effects are attributable to the individual components of other comprehensive income (OCI) in the statement of comprehensive income as follows:

(in € million)	1 Jan. - 31 Dec. 2023			1 Jan. - 31 Dec. 2022		
	Amount before taxes	Income tax effect	Amount after taxes	Amount before taxes	Income tax effect	Amount after taxes
Investments accounted for using the equity method - Share of other comprehensive income	28	- 0	28	- 73	25	- 48
Changes in financial liabilities designated at fair value through profit or loss due to changes in own credit risk	145	- 49	96	187	- 64	123
Revaluation of the net liability from defined benefit pension plans	- 200	63	- 137	1 027	- 102	925
Changes in financial assets at fair value through other comprehensive income	355	- 24	331	- 849	168	- 681
Translation differences of foreign business units	1	-	1	-	-	-
<b>Other comprehensive income</b>	<b>328</b>	<b>- 9</b>	<b>319</b>	<b>292</b>	<b>27</b>	<b>319</b>

## Notes to the Balance Sheet

**(34) Cash Reserve**

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Cash on hand	51	93	- 45
Cash balances at Central Banks	3 384	2 371	43
<b>Total</b>	<b>3 435</b>	<b>2 464</b>	<b>39</b>

**(35) Financial Assets at Fair Value through Profit or Loss**

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
<b>Trading assets</b>			
Positive fair values from derivatives			
Interest-rate risks	2 021	2 399	- 16
Currency risks	308	511	- 40
Share and other price risks	1	1	- 22
Credit derivatives	52	101	- 48
	<b>2 383</b>	<b>3 012</b>	<b>- 21</b>
Equity instruments	-	-	-
Debt-securities and other fixed-interest securities	1 448	882	64
Loans and advances to customers	1 224	1 260	- 3
Registered securities	2 388	2 487	- 4
	<b>7 442</b>	<b>7 641</b>	<b>- 3</b>
<b>Financial assets mandatorily at fair value through profit or loss</b>			
Equity instruments	21	16	31
Debt-securities and other fixed-interest securities	380	453	- 16
Loans and advances to banks	46	43	6
Loans and advances to customers	157	210	- 26
	<b>604</b>	<b>722</b>	<b>- 16</b>
<b>Total</b>	<b>8 046</b>	<b>8 363</b>	<b>- 4</b>

The credit derivatives reported under trading assets include the guarantees received from the State of Lower Saxony as part of NORD/LB's capital strengthening on an aircraft customer portfolio of the Special Financing segment. This guarantee had to be recognised as a credit derivative under IFRS and had a carrying amount as at the reporting date of € 31 million (€ 66 million).

The category of financial assets that must be reported at fair value through profit or loss includes financial assets that must be measured at fair value through profit or loss due to the cash flow condition according to IFRS 9.

**(36) Financial Assets at Fair Value through Other Comprehensive Income**

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	10 308	10 192	1
Loans and advances to banks	130	174	- 25
Loans and advances to customers	271	267	1
<b>Total</b>	<b>10 708</b>	<b>10 633</b>	<b>1</b>

The changes in the risk provisions recognised in other comprehensive income (OCI) related to this item is presented under Note (56) Risk provisioning and gross carrying amount.

**(37) Financial Assets at Amortised Cost**

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	2 926	3 175	- 8
Loans and advances to banks	13 228	12 890	3
Loans and advances to customers	71 543	69 968	2
<b>Total</b>	<b>87 697</b>	<b>86 033</b>	<b>2</b>

The change in the risk provisioning contained in the item is presented under Note (56) Risk provisioning and gross carrying amount.

**(38) Positive Fair Values from Hedge Accounting Derivates**

The position includes positive fair values of the hedging instruments in effective micro and portfolio fair value hedge relationships.

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Micro fair value hedge derivative	144	192	- 25
Portfolio fair value hedge derivative	2	6	- 69
<b>Total</b>	<b>146</b>	<b>198</b>	<b>- 26</b>

**(39) Balancing Items for Financial Instruments hedged in the Portfolio Fair Value Hedge**

The item comprises the fair value changes of assets attributable to the hedged risk included as underlying transactions in a fair value hedge portfolio.

**(40) Shares in Companies**

The balance sheet item shares in companies includes all shares in NORD/LB Group companies which are not accounted for in accordance with IFRS 10, IFRS 11 or IAS 28 but in accordance with IFRS 9.

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Subsidiaries	18	18	0
Joint Ventures	9	11	- 16
Associated companies	43	43	- 1
Other shares in companies	504	272	85
<b>Total</b>	<b>574</b>	<b>344</b>	<b>67</b>

**(41) Property and Equipment**

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Land and buildings	116	168	- 31
Operating and office equipment	29	30	- 5
Other property and equipment	8	4	89
Property, plant and equipment under construction	8	4	89
Right-of-use assets from leasing	60	78	- 23
<b>Total</b>	<b>212</b>	<b>280</b>	<b>- 24</b>

The changes in property and equipment is presented in Note (42) Investment properties.

**(42) Investment Properties**

Investment properties had a total carrying amount of € 179 million (€ 143 million). The corresponding fair value of investment properties was € 222 million (€ 215 million) and is in Level 2 in accordance with the fair value hierarchy under IFRS 13.

The results from investment properties are as follows:

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)
Rental income	12	11
Direct operating expenses	4	4

The changes in acquisition and production costs and of accumulated depreciation for property and equipment and for investment properties are presented in the following table:

	Land and buildings	Operating and office equipment	Other property equipment	Right-of- use-assets from leasing	Total	Invest- ment property
(in Mio €)						
<b>Cost as at 1 January 2022</b>	<b>506</b>	<b>222</b>	<b>4</b>	<b>97</b>	<b>829</b>	<b>186</b>
Additions	–	7	1	33	41	20
Disposals	22	7	1	7	37	6
Transfers	–	–	–	–	–	5
Change from currency translation	–	1	–	–	1	–
<b>Total 31 December 2022</b>	<b>484</b>	<b>223</b>	<b>4</b>	<b>123</b>	<b>834</b>	<b>205</b>
<b>Accumulated depreciation as at 1 January 2022</b>	<b>317</b>	<b>191</b>	<b>–</b>	<b>34</b>	<b>542</b>	<b>60</b>
Scheduled depreciation	6	9	–	18	33	3
Impairments (non-scheduled)	–	–	–	–	–	2
Transfers	–	–	–	–	–	1
Disposals	7	7	–	7	21	4
<b>Total 31 December 2022</b>	<b>316</b>	<b>193</b>	<b>–</b>	<b>45</b>	<b>554</b>	<b>62</b>
<b>Closing balance as at 31 December 2022</b>	<b>168</b>	<b>30</b>	<b>4</b>	<b>78</b>	<b>280</b>	<b>143</b>
<b>Cost as at 1 January 2023</b>	<b>484</b>	<b>223</b>	<b>4</b>	<b>123</b>	<b>834</b>	<b>217</b>
Additions	1	8	8	3	19	2
Disposals	1	5	0	16	21	3
Transfers	– 97	2	– 4	–	– 99	103
<b>Total 31 December 2023</b>	<b>387</b>	<b>228</b>	<b>8</b>	<b>110</b>	<b>732</b>	<b>319</b>
<b>Accumulated depreciation as at 1 January 2023</b>	<b>316</b>	<b>193</b>	<b>– 0</b>	<b>45</b>	<b>554</b>	<b>75</b>
Scheduled depreciation	4	8	0	12	24	5
Impairments (non-scheduled)	2	0	–	2	5	10
Transfers	– 51	1	–	–	– 50	51
Disposals	1	3	– 0	9	12	1
<b>Total 31 December 2023</b>	<b>271</b>	<b>200</b>	<b>0</b>	<b>50</b>	<b>520</b>	<b>140</b>
<b>Closing balance as at 31 December 2023</b>	<b>116</b>	<b>29</b>	<b>8</b>	<b>60</b>	<b>212</b>	<b>179</b>

The transfers from other property and equipment related to € 4 million (€ 0 million) of assets under construction. The transfers of investment property relate to additions of € 51 million (€ 5 million) through reclassification from property and equipment.

**(43) Intangible Assets**

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
<b>Software</b>			
Purchased	32	38	- 17
Internally generated	16	21	- 23
	<b>48</b>	<b>59</b>	<b>- 19</b>
Prepayments and intangible assets under development and preparation	34	28	23
Leased software	1	2	- 37
<b>Total</b>	<b>84</b>	<b>89</b>	<b>- 6</b>

For internally generated software in the area of bank management with a total carrying amount of € 20 million, the amortisation periods were adjusted to a longer expected useful life in line with the re-scheduling of the launch of the new bank management. The adjustment resulted in an approx. € 9 million or around € 3 million lower amortisation for 2023 and 2024, respectively. For the following years 2025 to 2028, the amortisation amounts increased by between € 4 million and around € 2 million.

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

Impairments on intangible assets of € 5 million (€ 9 million) result from the discontinued further development of a software component under construction.

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

	Carrying amount (in € million)		Remaining depreciation period (in years)	
	31 Dec.2023 <sup>1)</sup>	31 Dec.2022 <sup>1)</sup>	31 Dec.2023	31 Dec.2022
IT applications	12	15	4	5
Internally developed software	49	47	5	2

<sup>1)</sup>The amounts include both intangible assets that are completed and under construction.

The changes in the intangible assets item is as follows:

	Software purchased	Software internally generated	Goodwill	Prepayments and intangible assets under development and preparation	Leasing items from operate lease	Leased software	Other intangible assets	Total
(in € million)								
<b>Cost as at 1 January 2022</b>	<b>207</b>	<b>326</b>	<b>-</b>	<b>31</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>573</b>
Additions	-	-	-	7	-	-	-	7
Disposals	2	-	-	-	-	4	-	6
Transfers	1	-	-	-1	-	-	-	-
<b>Total at 31 December 2022</b>	<b>206</b>	<b>326</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>574</b>
<b>Accumulated depreciation as at 1 January 2022</b>	<b>158</b>	<b>292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>455</b>
Scheduled depreciation	12	13	-	-	-	2	-	27
Depreciation (non-scheduled depreciation)	-	-	-	9	-	-	-	9
Disposals	2	-	-	-	-	4	-	6
<b>Total at 31 December 2022</b>	<b>168</b>	<b>305</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>485</b>
<b>Closing balance as at 31 December 2022</b>	<b>38</b>	<b>21</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>89</b>
<b>Cost as at 1 January 2023</b>	<b>214</b>	<b>326</b>	<b>-</b>	<b>37</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>581</b>
Additions	3	-	-	11	-	-	-	14
Disposals	1	-	-	0	-	2	-	3
Change from the basis of consolidation	-1	-	-	-	-	-	-	-1
Change from currency translation	-0	-	-	-	-	-	-	-0
<b>Total at 31 December 2023</b>	<b>213</b>	<b>326</b>	<b>-</b>	<b>48</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>590</b>
<b>Accumulated depreciation as at 1 January 2023</b>	<b>175</b>	<b>305</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>492</b>
Scheduled depreciation	9	4	-	-	-	1	-	14
Depreciation (non-scheduled depreciation)	0	-	-	5	-	-	-	5
Disposals	1	-	-	-	-	2	-	3
Change from the basis of consolidation	-1	-	-	-	-	-	-	-1
<b>Total at 31 December 2023</b>	<b>182</b>	<b>310</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>507</b>
<b>Closing balance as at 31 December 2023</b>	<b>32</b>	<b>16</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>84</b>

#### (44) Income Tax Assets

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Current income tax assets	13	21	- 38
Deferred tax assets	439	439	- 0
<b>Total</b>	<b>452</b>	<b>460</b>	<b>- 2</b>

Deferred tax assets represent the potential income tax relief from temporary differences between assets and liabilities in the IFRS consolidated balance sheet and the tax values in accordance with the internal tax guidelines of the Group companies. The total deferred tax assets recognised in other comprehensive income (OCI) amounted to € 128 million (€ 120 million) as at 31 December 2023.

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

	31 Dec.2023 (in € million]	31 Dec.2022 (in € million) <sup>1)</sup>	Change (in %)
<b>Assets</b>			
Trading assets	751	795	- 6
Financial assets at fair value through profit or loss	2	27	- 92
Financial assets at fair value through other comprehensive income	86	170	- 49
Financial assets at amortised costs	135	225	- 40
Positive fair values from hedge accounting derivatives	43	65	- 34
Shares in companies	10	12	- 16
Property and equipment	38	36	5
Other assets	126	91	38
<b>Liabilities</b>			
Trading liabilities	2	1	79
Financial liabilities at amortised costs	401	432	- 7
Negative fair values from hedge accounting derivatives	272	94	> 100
Provisions	590	540	9
Other liabilities	6	24	- 76
Tax loss carried forward	0	1	- 75
<b>Total</b>	<b>2 462</b>	<b>2 513</b>	<b>- 2</b>
<b>Net</b>	<b>2 024</b>	<b>2 074</b>	<b>- 2</b>
<b>Total</b>	<b>439</b>	<b>439</b>	<b>- 0</b>

<sup>1)</sup> Previous year's value adjusted due to change in allocation

In addition to deferred taxes recognised in the income statement, netted deferred income tax assets included € 97 million (€ 120 million) from financial liabilities at fair value through other comprehensive income and € 31 million (€ 0 million) from provisions, which were recognised through other comprehensive income (OCI).

No deferred tax assets were recognised for loss carryforwards from corporate tax in the amount of € 2,703 million (€ 2,806 million) and from commercial tax in the amount of € 2,750 million (€ 2,827 million) as at 31 December 2023 due to a limited planning horizon and the resulting insufficient probability of use.

Tax loss carryforwards from corporation tax in the amount of € 0 million (€ 8 million) will expire in the next five years, the remaining existing tax loss carryforwards can be used indefinitely.

The NORD/LB Group recognised deferred tax assets for companies that suffered a loss in the current period as at 31 December 2023 that exceeded the deferred tax liabilities by € 408 million (€ 15 million). These deferred tax assets, the use of which depends on future taxable profits, are recognised only to the extent that their realisation is sufficiently certain. This assumes that sufficient taxable results will be available in a foreseeable future period against which an offset can be made. On the basis of the medium-term plan, the Bank makes the assessment that the deferred tax assets are recoverable and can be substantiated by sufficient taxable income.

No deferred taxes were recognised for temporary differences of € 885 million (€ 963 million) that can be carried forward indefinitely.

**(45) Other Assets**

	31 Dec.2023	31 Dec.2022	Change
	(in € million)	(in € million)	(in %)
Refund claims to provident fund NORD/LB	332	338	- 2
Loans and advances on interim accounts	36	- 7	> 100
Rights to reimbursement from defined benefit plans	4	-	-
Deferred item	22	15	44
Receivables	2	-	-
Contract assets	3	9	- 65
Other assets	142	134	6
<b>Total</b>	<b>541</b>	<b>489</b>	<b>11</b>

The majority of receivables from interim accounts are receivables in connection with the securities trading business and transactions on payment transaction accounts.

The changes in other Assets, which are related to income from customer contracts, can be seen in the following summary:

(in € million)	Receivables		Contract assets	
	2023	2022	2023	2022
<b>1 Jan.</b>	<b>0</b>	<b>-</b>	<b>9</b>	<b>40</b>
Satisfaction of performance obligations	1	1	- 5	- 31
Consideration received	- 1	- 1	-	-
Other changes	2	-	-	-
<b>31 Dec.</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>9</b>

**(46) Financial Liabilities at Fair Value through Profit or Loss**

	31 Dec.2023	31 Dec.2022	Change
	(in € million)	(in € million)	(in %)
<b>Trading liabilities</b>			
Negative fair values from derivatives			
Interest-rate risks	2 045	2 931	- 30
Currency risks	251	318	- 21
Share-price and other price risks	3	4	- 31
Credit derivatives	20	16	27
	<b>2 319</b>	<b>3 269</b>	<b>- 29</b>
Delivery obligations from short-sales	14	20	- 32
	<b>2 333</b>	<b>3 289</b>	<b>- 29</b>
<b>Financial liabilities designated at fair value through profit or loss</b>			
Deposits			
Liabilities to banks	259	261	- 1
Liabilities to customers	2 925	2 667	10
	<b>3 185</b>	<b>2 928</b>	<b>9</b>
Securitised liabilities			
Securitised liabilities	955	1 553	- 39
	<b>955</b>	<b>1 553</b>	<b>- 39</b>
	<b>4 139</b>	<b>4 481</b>	<b>- 8</b>
<b>Total</b>	<b>6 472</b>	<b>7 770</b>	<b>- 17</b>

The credit derivatives reported under trade liabilities included the guarantee received from the State of Lower Saxony as part of NORD/LB's capital strengthening on a ship financing portfolio in the Special Credit & Valuation segment. Under IFRS, this guarantee must be reported as a credit derivative and had a nega-

tive carrying amount as at the reporting date of € 6 million. In the previous year, trading assets amounted to € 11 million.

The change in fair value attributable to changes in own credit risk of financial liabilities designated at fair value through profit or loss was reported in other comprehensive income (OCI). This amounted to 149 Mio € (190 Mio €) for the reporting period.

The fair value change induced by credit risk is determined as a difference analysis within the framework of a generally accepted procedure that follows market practices. The amount stated is the sum of the change from the difference in fair value determined daily based on the current market data including the current NORD/LB spread and the fair value based on the current market data without the NORD/LB spread.

As at 31 December 2023, the carrying amount of liabilities designated at fair value through profit or loss was € 836 million lower (€ 920 million lower) than the corresponding redemption amount. The difference was mainly due to a lower interest on liabilities compared with the current market interest rate as well as to the compounding effects of zero bond issues arising from the discounted disbursement typical of zero bonds and their repayment at nominal value.

#### (47) Financial Liabilities at Amortised Cost

	31 Dec. 2023	31 Dec. 2022	Change
	(in € million)	(in € million)	(in %)
<b>Deposits</b>			
Deposits from banks	3 024	4 278	- 29
Saving deposits from customers	1 006	996	1
Other liabilities	70 118	68 437	2
Subordinated liabilities	92	208	- 56
	<b>74 239</b>	<b>73 919</b>	<b>0</b>
<b>Securitised Liabilities</b>			
Mortgage bonds	8 719	8 781	- 1
Municipal debentures	2 638	2 389	10
Other securitised Liabilities	8 964	6 198	45
Subordinated securitised liabilities	1 565	2 055	- 24
	<b>21 886</b>	<b>19 423</b>	<b>13</b>
<b>Total</b>	<b>96 125</b>	<b>93 342</b>	<b>3</b>

#### (48) Negative Fair Values from Hedge Accounting Derivates

The item includes negative fair values of the hedging instruments in effective micro and portfolio fair value hedge relationships.

	31 Dec.2023	31 Dec.2022	Change
	(in € million)	(in € million)	(in %)
Micro fair value hedge derivatives	385	431	- 11
Portfolio fair value hedge derivatives	0	7	- 100
<b>Total</b>	<b>385</b>	<b>438</b>	<b>- 12</b>

#### (49) Balancing Items for Financial Instruments hedged in the Portfolio Fair Value Hedge

The item comprises the fair value changes in financial liabilities attributable to the hedged risk, which are included as an underlying transaction in a portfolio fair value hedge.

**(50) Provisions**

The provisions are broken down as follows:

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
<b>Provisions for pensions and other obligations</b>	<b>2 091</b>	<b>1 883</b>	<b>11</b>
<b>Other provisions</b>			
Provisions for personnel	33	52	- 37
Provisions in lending business	56	62	- 10
Provisions for litigation and recourse risks	41	23	79
Provisions for restructuring measures	356	365	- 2
Other provisions	65	48	36
	<b>551</b>	<b>550</b>	<b>0</b>
<b>Total</b>	<b>2 641</b>	<b>2 433</b>	<b>9</b>

**Pensioners and similar obligations**

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

	31 Dec. 2023 (in € million)	31 Dec. 2022 (in € million)	Change (in %)
Present value of defined benefit obligations	2 141	1 927	11
Less fair value of plan assets	50	44	15
<b>Total</b>	<b>2 091</b>	<b>1 883</b>	<b>11</b>

The NORD/LB Group has both defined benefit pension commitments and, to a lesser extent, defined contribution pension commitments.

**Description of pension plans**

The NORD/LB Group's company pension scheme is based on several pension systems. Employees acquire entitlement to pension entitlements (defined contribution plan) through a defined contribution made by the Group to external pension providers. Pension entitlements are based on annual benefit components, the amount of which depends on the individual pensionable annual salary. In this case, the pension contributions are recognised as current expenses in accordance with the accounting rules pursuant to IAS 19 for defined contribution plans. No pension provisions are formed.

In addition, employees acquire entitlements to pension entitlements with a defined pension benefit which depends on factors such as expected wage and salary increases, age, length of service and a forecast pension trend (defined benefit plan). Essentially, these are various pension components, which would see disability and survivors' pensions also being granted, depending on the occurrence of the insured events, in addition to the old-age pension. The plan assets of the pension commitments are mainly backed by plan assets in the form of equity securities and fixed-income securities. There are also entitlements to benefit payments.

There are defined benefit pension entitlements from direct commitments as well as indirect commitments. The benefits from direct pension entitlements are provided directly by NORD/LB, while the benefits from indirect pension entitlements are provided by the legally independent Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V., Hannover (Hannover provident fund). The management bodies of the Hannover provident fund are made up of employer and employee representatives of the NORD/LB Group. The provident fund is endowed with a lump sum or partially reinsured, and is provided with liquid funds by NORD/LB within the legal framework to provide its pension benefits. NORD/LB is also liable in a subsidiary manner for providing the benefits of the provident fund as

the sponsoring undertaking of the pension commitments. As a company subject to mandatory consolidation, the provident fund is included in NORD/LB's consolidated financial statements.

The NORD/LB Group has several different pension schemes, whereby the commitments are based on service agreements under collective agreements or individual contractual commitments. The main pension schemes here are the total pension commitment under civil servant law: the 1973 Scheme and the 2000 Scheme. For these pension schemes, the accounting principles under IAS 19 for defined benefit plans are applied. There are a small number of plans for employees of foreign business units. These pension obligations are almost entirely covered by plan assets.

The defined benefit pension commitment based on the 2000 Scheme has also been applied to members of the Managing Board since 1 January 2000. In addition, depending on the role of the committee member and the number of reappointments to the Managing Board, additional initial components are assigned in addition to the pension components acquired on a pro rata basis. Members of the Managing Board who joined the company before 1 January 2000 received a general pension commitment on an individual basis in accordance with the regulations up to 31 December 1999.

No further employees are included in either the 1973 Scheme or the 2000 Scheme. The 2000 Scheme was last applied with effect from 31 December 2013.

Since 1 January 2014, the pension commitments for new employees of NORD/LB AöR are shown as a reinsured provident fund via BVV Versorgungskasse des Bankgewerbes e.V., Berlin.

In addition, all employees of the Bank have the option of funding an additional pension through deferred compensation via the BVV Versicherungsverein des Bankgewerbes a.G. (pension fund).

#### **Risks from defined benefit pension plans**

The NORD/LB Group is exposed to various risks in connection with the defined benefit pension plans.

As an institution under public law, NORD/LB was subject to guarantor liability until 17 July 2001 inclusive. This led to creditors and thus also employees being entitled to payment of their pension entitlements viz-à-viz the respective establishments of the public-law institution. As of 17 July 2001, the guarantor's liability of savings banks and regional banks was abolished by the European Commission. This means that all pension commitments agreed up to this point in time are subject to the guarantor's liability without limitation. All pension commitments granted up to 18 July 2005 are also covered by the guarantor's liability, provided that entitlement to the pension benefit existed before 31 December 2015. All pension commitments agreed since 18 July 2001 as well as all commitments not covered by the transitional provision are covered against insolvency by NORD/LB by means of a contribution to the pension insurance association.

Both the liabilities from defined benefit pension commitments and the plan assets may fluctuate over time. This can have a negative or positive impact on the funding status. The volatility in defined benefit pension liabilities are particularly sensitive to the change in financial assumptions, such as actuarial interest rates, but also from the change in demographic assumptions such as a change in life expectancy. Due to the structure of the existing pension commitments, the amount of the promised benefits depends, among other things, on changes in pensionable income, the contribution assessment limit in the statutory pension insurance and the social security pension. Where these variables develop differently than assumed in the provision calculations, there will be a need for refinancing. The NORD/LB Group regularly reviews the situation of pension payments (liquidity management) as well as the investment strategy and amount. The basis for determining the amount of the investment and pension payments as at each reporting date relates to the actuarial reports. The majority of the investment volume is invested in cash and cash equivalents and, to a minor extent, in long-term government bonds with a rating of at least AA listed on an active market. The same amount of pension payments is invested in short-term, highly fungible

other investments. The interest rate risk is largely reduced by the evenly rolling nature of the investment in debt instruments (government bonds). Market and investment risk is offset by observing the minimum rating (AA) of the investments and by the investment type (mainly government bonds). The management of liquidity risk, among other things due to pension payments, is described in the risk report.

At the level of the provident fund, the management bodies have defined the framework conditions for investing funds in a set of investment guidelines. At the provident fund, the funds used to finance pension benefits are predominantly invested in low-risk forms of investment. The management bodies may appoint third parties to manage the cash assets.

### Multi-employer pension plans

Along with other financial institutions in Germany, the NORD/LB Group is a member company of BVV Versorgungskasse des Bankgewerbes e.V. (BVV). Both the Group as an employer and the eligible employees regularly make pension contributions to BVV. The BVV tariffs provide for fixed pension payments with profit sharing.

The Group classifies the BVV plan as a defined benefit plan in accordance with IAS 19 and treats it as a defined contribution plan as the available information is insufficient for accounting as a defined benefit plan. BVV is subject to the employer's subsidiary liability with regard to its own employees. NORD/LB considers the probability of a claim from subsidiary liability to be extremely low and therefore does not form either a contingent liability or a provision for this issue.

The net liability of the defined benefit obligation can be reconciled from the opening to the closing balance of the period, taking into account the effects of the items listed:

(in € million)	Defined benefit obligation		Fair value of plan assets		Negative balance (net indebtedness)		Change (in %)
	2023	2022	2023	2022	2023	2022	
<b>Opening balance</b>	<b>1 927</b>	<b>3 035</b>	<b>44</b>	<b>50</b>	<b>1 883</b>	<b>2 985</b>	<b>- 37</b>
Current service cost	15	32	-	-	15	32	- 53
Interest income (interest expense)	81	45	2	1	79	44	79
Change from Consolidation	- 0	- 3	-	-	- 0	- 3	- 98
Changes from currency translation	1	-	1	- 1	- 0	1	> 100
Benefits paid	- 81	- 79	- 1	- 5	- 80	- 74	8
Employer contributions	-	-	5	2	- 5	- 2	> 100
Reversals	-	2	-	-	-	2	- 100
	<b>1 943</b>	<b>3 032</b>	<b>52</b>	<b>47</b>	<b>1 892</b>	<b>2 985</b>	<b>- 37</b>
<b>Revaluation</b>							
Adjustments made on the basis of experience	2	17	-	-	2	17	- 90
Profit / losses from the change in financial assumptions	197	- 1 122	-	-	197	- 1 122	> 100
Income from plan assets (Without interest income)	-	-	- 1	- 3	1	3	- 64
<b>Closing balance</b>	<b>2 141</b>	<b>1 927</b>	<b>50</b>	<b>44</b>	<b>2 091</b>	<b>1 883</b>	<b>11</b>

In addition to the pension commitments, the present value of the defined benefit liability included commitments to benefit payments in the amount of € 239 million (€ 210 million).

The defined benefit liability was included at the reporting date amounts from defined benefit plans in the amount of € 2,141 million (€ 1,927 million), which are not funded from a fund.

The fair value of plan assets is structured as follows:

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
<b>Equity instruments</b>			
Active market	5	4	17
<b>Debt instruments</b>			
Active market	34	19	80
<b>Other financial assets</b>			
Active market	7	20	- 63
Inactive market	4	1	> 100
	<b>11</b>	<b>21</b>	-
<b>Total</b>	<b>50</b>	<b>44</b>	-

Own debt or equity instruments, other assets held for own use or real estate held for own use are not included in the fair value of plan assets. Other assets included asset values of reinsurance policies in the amount of € 4 million (€ 1 million).

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

(in Mio €)	Pensions- auszahlungen 31.12.2023	Pensions- auszahlungen 31.12.2022
Weniger als 1 Jahr	81	80
Zwischen 1 und 2 Jahren	85	83
Zwischen 2 und 3 Jahren	88	87
Zwischen 3 und 4 Jahren	91	91
Zwischen 4 und 5 Jahren	95	94
<b>Gesamt</b>	<b>440</b>	<b>435</b>

The duration of the defined benefit pension liability is 16 (17) years and is reviewed each year by an actuarial appraiser.

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

	Increase / Decrease 31 Dec.2023	Effect of the Increase in € million 31 Dec.2023	Effect of the Decrease in € million 31 Dec.2023	Increase / Decrease 31 Dec.2022	Effect of the Increase in € million 31 Dec.2022 <sup>1)</sup>	Effect of the Decrease in € million 31 Dec.2022 <sup>1)</sup>
Actuarial interest rate	+/- 0,50 %	153	173	+/- 0,50 %	130	147
Wages	+/- 0,25 %	10	10	+/- 0,25 %	10	10
Pensions	+/- 0,25 %	46	44	+/- 0,25 %	40	39
Cost increase rate for allow- ance payments	+/- 1,00 %	40	32	+/- 1,00 %	36	29
Mortality	+/- 1 Jahr	86	87	+/- 1 Jahr	74	75

<sup>1)</sup> Adjustment of the actuarial interest rate in accordance with IAS 8.42

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

The Other provisions changed as follows during the reporting year:

	Provi- sions for person- nel	Provi- sions in lending business	Provi- sions for litigation and recourse risks	Provi- sions for restruc- turing measures	Other provi- sions	Total
(in € million)						
<b>1.1.</b>	<b>52</b>	<b>62</b>	<b>23</b>	<b>365</b>	<b>48</b>	<b>550</b>
Utilisation	- 5	-	- 0	- 41	- 13	- 59
Resolutions	- 1	- 25	- 1	- 11	- 3	- 40
Additions	4	21	18	26	33	103
Reversals	- 17	- 1	1	-	-	- 17
Effects on changes of currency translation and other changes	- 0	- 2	- 0	16	- 0	14
<b>31 Dec.</b>	<b>33</b>	<b>56</b>	<b>41</b>	<b>356</b>	<b>65</b>	<b>551</b>

The restructuring provisions resulted from the NORD/LB 2024 transformation programme, the previous One Bank reorganisation programme and from the restructuring of NORD/LB Luxembourg S.A. Covered Bond Bank. They largely relate to early retirement-related measures in connection with the leveraging of synergies and the resizing of the NORD/LB Group. For the restructuring provisions for early retirement measures, there were still estimation uncertainties regarding the amount and timing of utilisation at the time the provision is formed. These related to the life expectancy of the beneficiaries and the social security contributions to be paid. The NORD/LB Group expects significant use over the next eight years.

A large part of the provisions for obligations arising from human resources have a long-term character. This included provisions of € 2 million (€ 3 million) due to restructuring measures. The restructuring measures resulted from an efficiency improvement programme launched in 2011 and did not meet the definition of restructuring measures in accordance with IAS 37.70. Both the provisions due to restructuring measures and the provisions for early retirement schemes of € 4 million (€ 4 million), which are also included in the provisions for HR liabilities, are highly dependent on individual cases and are therefore still subject to uncertainties. Provisions are used successively in subsequent periods. Other provisions for human resources are mainly of a short-term nature.

With regard to provisions for litigation and recourse risks, there are uncertainties with regard to the amount and timing of the utilisation of these provisions on the basis of low empirical values and the diversity of the underlying facts as well as the uncertainty with regard to the outcome of possible legal or arbitration proceedings.

All other provisions are essentially due in the long term.

#### (51) Income Tax Liabilities

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Current income tax liabilities	44	59	- 26
Deferred income taxes	11	10	11
<b>Total</b>	<b>55</b>	<b>69</b>	<b>- 21</b>

Current income tax liabilities include payment obligations from current income taxes to domestic and foreign tax authorities.

Deferred tax liabilities represent the potential income tax burden from temporary differences between the values of assets and liabilities in the IFRS consolidated balance sheet and the tax values in accordance

with the internal tax guidelines of the Group companies. The total deferred tax liabilities recognised in other comprehensive income (OCI) amounted to € 63 million (€ 46 million) as at 31 December 2023.

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
<b>Assets</b>			
Trading assets	2	5	- 59
Financial assets at fair value through other comprehensive income	0	1	- 100
Financial assets at amortised costs	19	12	61
Positive fair values from hedge accounting derivatives	184	60	> 100
Shares in companies	3	2	60
Property and equipment	115	125	- 8
Intangible assets	17	16	3
Other assets	187	192	- 3
<b>Liabilities</b>			
Trading liabilities	459	327	40
Designated financial liabilities at fair value through profit or loss	163	193	- 15
Financial liabilities at amortised costs	576	676	- 15
Negative fair values from hedge accounting derivatives	272	416	- 35
Provisions	20	38	- 48
Other liabilities	17	21	- 17
<b>Total</b>	<b>2 035</b>	<b>2 084</b>	<b>- 2</b>
Net	2 024	2 074	- 2
<b>Total</b>	<b>11</b>	<b>10</b>	<b>11</b>

In addition to deferred taxes recognised in the income statement, deferred tax liabilities from financial liabilities reported at fair value through profit or loss included € 63 million (€ 14 million) and € 0 million (€ 32 million) from provisions, which were recognised through other comprehensive income (OCI). For taxable differences from shares in subsidiaries in the amount of € 13 million (€ 7 million), no deferred tax liabilities were recognised in accordance with IAS 12.39.

## (52) Other Liabilities

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Liabilities from interim accounts	27	12	> 100
Liabilities from short-term employee remuneration	50	36	39
Liabilities resulting from unsettled invoices	24	26	- 9
Liabilities from payable taxes and social insurance contributions	22	13	72
Deferred item	3	4	- 26
Liabilities from leasing	68	85	- 20
Other liabilities	93	95	- 3
<b>Total</b>	<b>287</b>	<b>271</b>	<b>6</b>

Liabilities on interim accounts are mainly liabilities in connection with the lending business, securities trading business and transactions on payment accounts.

Liabilities from short-term employee compensation mainly consist of remaining vacation entitlements as well as bonuses and emoluments; the latter will largely be paid out to employees of the Group in the first half of 2024.

With regard to liabilities from leasing transactions, please refer to Notes (14) Leasing transactions and (68) Leasing relationships.

**(53) Equity**

Composition of equity:

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Issued capital	3 168	3 137	1
Capital reserve	2 579	2 579	0
Retained earnings	1 266	1 060	19
Accumulated OCI	- 188	- 519	- 64
Currency translation reserve	- 10	- 9	12
<b>Equity attributable to the owners of NORD/LB</b>	<b>6 815</b>	<b>6 248</b>	<b>9</b>
Additional equity	49	50	- 1
Non-controlling interests	0	2	- 100
<b>Total</b>	<b>6 865</b>	<b>6 300</b>	<b>9</b>

As the owners of NORD/LB, Niedersachsen Invest GmbH (NIG) held stakes of 40.27 per cent (40.67 per cent), Hannoversche Beteiligungsgesellschaft Niedersachsen mbH (HanBG) 14.97 per cent (15.12 per cent), Land Sachsen-Anhalt 6.25 per cent (6.31 per cent), FIDES Gamma GmbH and FIDES Delta GmbH each hold 11.94 per cent (12.06 per cent), Sparkassenverband Niedersachsen (SVN) 8.92 per cent (9.01 per cent), Sparkassenbeteiligungsverband Sachsen-Anhalt (SBV) 1.79 per cent (1.80 per cent), Sparkassenzweckverband Mecklenburgenburgenburg-Vorpommern (SZV) 1.24 per cent (1.25 per cent) and the State of Lower Saxony 2.68 per cent (1.71 per cent) as at the reporting date. NIG and HanBG act for the State of Lower Saxony. The commissions paid to HanBG as part of the guarantees granted by the State of Lower Saxony were contributed by the State of Lower Saxony to NORD/LB, so that the subscribed capital increased by € 31 million to € 3,168 million with effect from the beginning of 31 December 2023. Accordingly, the ownership structure of the owners changed compared with the previous year.

The capital reserve included the amounts (premium) paid in the case of capital increases by NORD/LB's owners in excess of the subscribed capital.

Retained earnings include the profits retained in the Group in previous reporting years as well as the allocation of the net result less the shares of other shareholders in the result.

The cumulative other comprehensive income (OCI) item includes the effects of the measurement of financial assets at fair value through other comprehensive income, the pro rata changes in equity of the shares in companies accounted for using the equity method and the effects of the revaluation of the net assets from defined benefit pension plans. In addition, the item includes cumulative changes in designated financial liabilities at fair value through profit or loss due to changes in own credit risk.

The reserve for currency translation contains the effects resulting from the application of the modified exchange rate on the reporting date from the translation of the annual financial statements of foreign business units with a functional currency that differs from the euro.

The amount of € 49 million (€ 50 million) presented under additional equity components related to a tranche of additional Tier 1 bonds (AT1 bonds) issued in the NORD/LB Group.

In addition, other shareholders are also involved in the NORD/LB Group's equity. These hold shares in the equity of subsidiaries and are reported as non-controlling interests (NCI) in Group equity. There are no additional funding obligations for the minority interests disclosed in the NCI.

No dividend was paid for 2022.

Similarly, no dividend distribution is planned for 2023.

## Notes to the Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents in the reporting year due to cash flows from operating, investing and financing activities.

Cash and cash equivalents are defined as cash reserves (cash in hand and balances held at central banks). There are no restrictions on the use of cash and cash equivalents.

The cash flow from operating activities is determined on the basis of the consolidated result using the indirect method. Expenses and income that were not recognised in cash in the reporting year are initially allocated or deducted. In addition, all expenses and income that were reported to cash but cannot be allocated to the operating business area are eliminated. These payments are recognised in the cash flows from investing or financing activities.

In accordance with the recommendations of the IASB, payment transactions from receivables, from securities in the trading portfolio and from liabilities are reported as cash flow from operating activities.

Cash flow from investing activities comprises payment transactions for the investment portfolio as well as incoming and outgoing payments for property and equipment and the acquisition of subsidiaries.

Cash flow from financing activities comprises cash flows from changes in equity and hybrid capital (subordinated capital), dividend payments to the owners of the parent company NORD/LB and interest payments on the subordinated capital. Interest payments on subordinated capital amounted to € -107 million (€ -93 million) in the reporting year.

In addition to the information in the cash flow statement, the following shows the changes in equity, subordinated capital and lease liabilities from the opening balance to the closing balance:

(in € million)	Equity		Subordinated capital		Lease	
	2023	2022	2023	2022	2023	2022
<b>01 January</b>	<b>6 300</b>	<b>5 848</b>	<b>2 263</b>	<b>2 295</b>	<b>78</b>	<b>63</b>
Consolidated profit/loss	224	89	-	-	-	-
Repayment	-	- 10	- 578	- 98	- 12	- 14
Interests	-	-	-	-	- 1	- 1
Other cash changes	-	54	-	10	- 1	- 1
No cash changes						
Changes due to acquisition or loss of control of subsidiaries or other business operations	- 23	- 4	-	-	-	-
Exchange rate-related changes	-	-	- 29	49	-	-
Other changes	364	323	2	7	- 5	31
<b>31 December</b>	<b>6 865</b>	<b>6 300</b>	<b>1 657</b>	<b>2 263</b>	<b>60</b>	<b>78</b>

For transactions that resulted in gaining or losing control of subsidiaries and other business units in the reporting period, no remuneration was paid and no remuneration 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 (in € million)	Acquisition of control		Loss of control	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Financial assets at amortised cost	–	8	–	–
Investments accounted for using the equity method	–	–	–	3
Property and equipment	–	1	–	–
Other assets	–	–	17	–
<b>Total assets</b>	<b>–</b>	<b>9</b>	<b>17</b>	<b>3</b>

Liabilities (in € million)	Acquisition of control		Loss of control	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Deferred income taxes	–	1	15	–
Equity	–	8	2	–
<b>Total liabilities</b>	<b>–</b>	<b>9</b>	<b>17</b>	<b>–</b>

## Other Disclosures

### Notes to Financial Instruments

#### (54) Fair Value Hierarchy

The fair values of financial assets and their classification in the fair value hierarchy are compared with their carrying amounts in the following table.

(in € million)	31 Dec.2023				Carrying amount	Difference
	Level 1	Level 2	Level 3	Total fair values		
<b>Assets</b>						
Cash reserve	3 435	–	–	3 435	3 435	–
Trading assets	0	5 923	1 519	7 442	7 442	–
Positive fair values from derivatives	–	2 338	45	2 383	2 383	–
Interest-rate risks	–	2 008	13	2 021	2 021	–
Currency risks	–	308	–	308	308	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	21	31	52	52	–
Debt securities and other fixed interest securities	–	1 448	–	1 448	1 448	–
Loans and advances	0	2 136	1 475	3 611	3 611	–
Financial assets mandatorily at fair value through profit or loss	264	137	202	604	604	–
Equity instruments	20	1	–	21	21	–
Debt securities and other fixed interest securities	244	136	–	380	380	–
Loans and advances	–	–	202	202	202	–
Financial assets at fair value through other comprehensive income	1 117	9 187	405	10 708	10 708	–
Debt securities and other fixed interest securities	1 117	9 187	4	10 308	10 308	–
Loans and advances	–	–	401	401	401	–
Financial assets at amortised cost	111	2 679	81 698	84 488	87 697	– 3 209
Debt securities and other fixed interest securities	33	2 679	146	2 858	2 926	– 67
Loans and advances	77	–	81 552	81 630	84 771	– 3 141
Positive fair values from hedge accounting derivatives	–	144	2	146	146	–
Positive fair values from allocated micro fair value hedge derivatives	–	142	2	144	144	–
Interest-rate risks	–	139	2	141	141	–
Currency risks	–	3	–	3	3	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	2	–	2	2	–
Interest-rate risks	–	2	–	2	2	–
Balancing items for financial instruments hedged in the portfolio fair value hedge	–	–	–	– <sup>1)</sup>	– 149	149
Shares in companies	14	–	560	574	574	–
<b>Total</b>	<b>4 941</b>	<b>18 070</b>	<b>84 387</b>	<b>107 398</b>	<b>110 457</b>	<b>– 3 059</b>

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

<sup>1)</sup> Contributions relating to the assets item balancing items for financial instruments hedged in the portfolio fair value hedge are shown in the fair values of the hedged financial instruments.

The fair values of financial liabilities and their classification in the fair value hierarchy are compared with their carrying amounts in the following table.

(in € million)	31 Dec.2023					
	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
<b>Liabilities</b>						
Trading liabilities	–	2 317	16	2 333	2 333	–
Negative fair values from derivatives	–	2 303	16	2 319	2 319	–
Interest-rate risks	–	2 035	9	2 045	2 045	–
Currency risks	–	251	–	251	251	–
Share-price and other price risks	–	3	–	3	3	–
Credit derivatives	–	14	7	20	20	–
Delivery obligations from short-sales	–	14	–	14	14	–
Financial liabilities designated at fair value through profit or loss	–	1 855	2 219	4 074	4 139	– 65
Deposits	–	1 452	1 686	3 138	3 185	– 47
Securitised liabilities	–	403	533	936	955	– 18
Financial liabilities at amortised cost	1 166	28 668	63 039	92 873	96 125	– 3 252
Deposits	–	13 250	58 378	71 628	74 239	– 2 611
Securitised liabilities	1 166	15 418	4 661	21 245	21 886	– 641
Negative fair values from hedge accounting derivatives	–	382	2	385	385	–
Negative fair values from allocated micro fair value hedge derivatives	–	382	2	385	385	–
Interest-rate risks	–	286	2	289	289	–
Currency risks	–	96	–	96	96	–
Balancing items for financial instruments hedged in the portfolio fair value hedge	–	–	–	– <sup>1)</sup>	– 848	848
Other liabilities (only financial instruments) measured at fair value	1	–	–	1	1	–
<b>Total</b>	<b>1 166</b>	<b>33 223</b>	<b>65 276</b>	<b>99 665</b>	<b>102 134</b>	<b>– 2 469</b>

<sup>1)</sup> Contributions relating to the liabilities item Balancing items for financial instruments hedged in the fair value hedge portfolio are shown in the fair values of the hedged financial instruments.

(in € million)	31 Dec.2022				Buchwert	Differenz
	Level 1	Level 2	Level 3	Summe Fair Values		
<b>Liabilities</b>						
Trading liabilities	-	3 270	19	3 289	3 289	-
Negative fair values from derivatives	-	3 250	19	3 269	3 269	-
Interest-rate risks	-	2 918	13	2 931	2 931	-
Currency risks	-	318	-	318	318	-
Share-price and other price risks	-	4	-	4	4	-
Credit derivatives	-	10	6	16	16	-
Delivery obligations from short-sales	-	20	-	20	20	-
Financial liabilities designated at fair value through profit or loss	496	1 717	2 202	4 415	4 481	- 66
Deposits	-	1 271	1 609	2 880	2 928	- 48
Securitised liabilities	496	446	593	1 535	1 553	- 18
Financial liabilities at amortised cost	1 425	28 430	58 784	88 639	93 342	- 4 703
Deposits	125	14 754	55 394	70 273	73 919	- 3 646
Securitised liabilities	1 300	13 676	3 390	18 366	19 423	- 1 057
Negative fair values from hedge accounting derivatives	-	436	2	438	438	-
Negative fair values from allocated micro fair value hedge derivatives	-	429	2	431	431	-
Interest-rate risks	-	325	2	327	327	-
Currency risks	-	104	-	104	104	-
Negative fair values from allocated portfolio fair value hedge derivatives	-	7	-	7	7	-
Interest-rate risks	-	7	-	7	7	-
Balancing items for financial instruments hedged in in the portfolio fair value hedge	-	-	-	- <sup>1)</sup>	- 1 298	1 298
Other liabilities (only financial instruments) measured at fair value	1	-	-	1	1	-
<b>Total</b>	<b>1 922</b>	<b>33 853</b>	<b>61 007</b>	<b>96 782</b>	<b>100 253</b>	<b>- 3 471</b>

<sup>1)</sup> Contributions relating to the liabilities item Balancing items for financial instruments hedged in the fair value hedge portfolio are shown in the fair values of the hedged financial instruments.

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

2023 (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	-	-	111	30
Loans and advances	-	-	111	30
Financial assets at fair value through other comprehensive income	-	137	4	4
Debt securities and other fixed interest securities	-	137	4	4
Designated financial liabilities at fair value through profit or loss	-	-	-	9
Deposits	-	-	-	5
Securitised liabilities	-	-	-	5

2022 (in € million)	From level 1 to level 2	From level 2 to level 1	From level 2 to level 3	From level 3 to level 2
Trading assets	-	-	-	145
Loans and advances	-	-	-	145
Financial assets at fair value through other comprehensive income	253	40	7	-
Debt securities and other fixed interest securities	253	40	7	-
Positive fair values from hedge accounting derivatives	-	-	1	-
Positive fair values from allocated micro fair value hedge derivatives	-	-	1	-
Interest-rate risks	-	-	1	-
Trading liabilities	-	-	7	-
Negative fair values from derivatives	-	-	7	-
Interest-rate risks	-	-	7	-
Designated financial liabilities at fair value through profit or loss	-	-	-	26
Deposits	-	-	-	24
Securitised liabilities	-	-	-	2
Negative fair values from hedge accounting derivatives	-	-	1	-
Negative fair values from allocated micro fair value hedge derivatives	-	-	1	-
Interest-rate risks	-	-	1	-

Most level transfers as at the reporting date compared with 31 December 2022 took place between Level 2 and Level 1. These transfers were due to changes in trading activity. Other significant level transfers were made from Level 2 to Level 3 for the receivables reported under trading assets.

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:

(in € million)	Trading assets							
	Positive fair values from derivatives Interest-rate risks		Positive fair values from derivatives credit derivatives		Debt securities and other fixed interest securities		Loans and advances to trading and other trading assets	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>1 Jan.</b>	<b>44</b>	<b>9</b>	<b>76</b>	<b>108</b>	-	<b>2</b>	<b>1 599</b>	<b>2 188</b>
Effect in the income statement <sup>1)</sup>	- 44	- 9	- 45	- 32	-	-	23	- 220
Addition through purchase or issue	13	44	-	-	-	-	525	1 767
Disposal from sale	-	-	-	-	-	2	728	1 989
Repayment/exercise	-	-	-	-	-	-	40	6
Addition from level 1 and 2	-	-	-	-	-	-	111	-
Disposal to level 1 and 2	-	-	-	-	-	-	30	145
Change from currency translation	-	-	-	-	-	-	15	4
<b>31 Dec.</b>	<b>13</b>	<b>44</b>	<b>31</b>	<b>76</b>	-	-	<b>1 475</b>	<b>1 599</b>
For information: Effect on income statement for financial instruments still held <sup>1)</sup>	- 0	- 1	- 45	- 31	-	-	13	- 90

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from fair value measurement.

(in € million)	Financial assets at fair value through profit or loss	
	Loans and advances	
	2023	2022
<b>1 Jan.</b>	<b>253</b>	<b>298</b>
Effect in the income statement <sup>1)</sup>	12	- 12
Addition through purchase or issue	64	81
Repayment/exercise	127	114
<b>31 Dec.</b>	<b>202</b>	<b>253</b>
For information:		
Effect on income statement for financial instruments still held <sup>1)</sup>	- 10	3

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from fair value measurement.

(in € million)	Financial assets at fair value through other comprehensive income			
	Debt securities and other fixed interest securities		Loans and advances	
	2023	2022	2023	2022
<b>1 Jan.</b>	<b>37</b>	<b>31</b>	<b>441</b>	<b>872</b>
Effect in the income statement <sup>1)</sup>	- 0	-	6	- 75
Effect in other comprehensive income (OCI)	1	- 1	-	-
Disposal from sale	10	-	-	-
Repayment/exercise	24	-	46	356
Addition from level 1 and 2	4	7	-	-
Disposal to level 1 and 2	4	-	-	-
<b>31 Dec.</b>	<b>4</b>	<b>37</b>	<b>401</b>	<b>441</b>
For information:				
Effect on income statement for financial instruments still held <sup>1)</sup>	0	-	6	- 65

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income, profit/loss from risk provisioning, and disposal profit/loss from financial instruments not measured at fair value through profit and loss.

(in € million)	Positive fair values from hedge accounting derivatives	
	Positive fair values from allocated micro fair value hedge derivatives	
	2023	2022
<b>1 Jan.</b>	<b>2</b>	<b>6</b>
Effect in the income statement <sup>1)</sup>	0	- 5
Addition from level 1 and 2	-	1
<b>31 Dec.</b>	<b>2</b>	<b>2</b>
For information:		
Effect on income statement for financial instruments still held <sup>1)</sup>	0	- 5

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from hedge accounting.

(in € million)	Shares in companies	
	2023	2022
<b>1 Jan.</b>	331	324
Effect in the income statement <sup>1)</sup>	92	6
Addition through purchase or issue	137	1
Disposal from sale	1	-
<b>31 Dec.</b>	<b>560</b>	<b>331</b>
For information: Effect on income statement for financial instruments still held <sup>1)</sup>	92	6

<sup>1)</sup> The presented effects include valuation results and are shown in the income statement under the items profit/loss from fair value measurement and profit/loss from shares in companies.

(in € million)	Trading liabilities			
	Negative fair values from derivatives interest-rate risks		Negative fair values from derivatives credit derivatives	
	2023	2022	2023	2022
<b>1 Jan.</b>	13	29	6	-
Effect on the income statement <sup>1)</sup>	- 4	- 24	0	-
Addition through purchase or issue	-	1	1	6
Addition from level 1 and 2	-	7	-	-
<b>31 Dec.</b>	<b>9</b>	<b>13</b>	<b>7</b>	<b>6</b>
For information: Effect on income statement for financial instruments still held <sup>1)</sup>	- 3	5	6	-

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from fair value measurement.

(in € million)	Designated financial liabilities at fair value through profit or loss			
	Deposits		Securitised liabilities	
	2023	2022	2023	2022
<b>1 Jan.</b>	<b>1 609</b>	<b>2 153</b>	<b>593</b>	<b>730</b>
Effect in the income statement <sup>1)</sup>	151	- 453	19	- 58
Effect in other comprehensive income (OCI)	- 123	- 137	1	- 1
Addition through purchase or issue	69	144	62	59
Repayment/exercise	16	74	138	135
Disposal to level 1 and 2	5	24	5	2
<b>31 Dec.</b>	<b>1 686</b>	<b>1 609</b>	<b>533</b>	<b>593</b>
For information: Effect on income statement for financial instruments still held <sup>1)</sup>	151	- 453	17	- 57

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from fair value measurement.

(in € million)	Negative fair values from hedge accounting derivatives	
	2023	2022
<b>1 Jan.</b>	2	-
Effect in the income statement <sup>1)</sup>	- 1	1
Addition through purchase or issue	1	-
Addition from level 1 and 2	-	1
<b>31 Dec.</b>	2	2
For information:		
Effect on income statement for financial instruments still held <sup>1)</sup>	0	1

<sup>1)</sup> The effects reported include net interest income and deferrals, measurement gains/losses and realised profit/loss; these are reported in the income statement under the items net interest income and profit/loss from hedge accounting.

The following significant non-observable input data were used for the fair value measurement of financial instruments classified in Level 3.

Product	Fair value 31 Dec.2023  (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	255	Discount rate	0,2 - 2,3 %	0,6 %
Interest-bearing bond (liabilities)	528	Discount rate	3,2 - 4,9 %	3,7 %
Participations	560	Discount rate	9,2 - 10,9 %	9,4%
Loans (assets)	1 745	Rating	Ratin Class (27er DSGV-Skala) 0-18	8
	64	Cashflow	-	-
Loans (liabilities)	1 669	Discount rate	2,9 - 4,9%	4,1 %
	11	Historical volatilities	11 %	11 %
Derivatives (assets)	31	Rating	Rating class (27er DSGV-Skala) 1-24	Averaged Rating 16
	7	Rating	Rating class (27er DSGV-Skala) 1-27	Averaged Rating 15
	13	Underlying	'79-105	84
	3	Correlation	'0,6-0,8	0.8
Derivatives (liabilities)	3	Rating	Rating Class (27er DSGV- Skala) 7-15	Averaged Rating 14

Changes to the material input that cannot be observed on the market may result in a significantly higher or lower fair value. As part of the sensitivity analysis, the respective input parameter was improved and deteriorated in accordance with the following table. The potential change in the fair value of Level 3 from the suggested change to the parameter is specified below.

Product	Significant non-observable input data in the fair value measurement	Changes in sensitivity analysis	Potential changes in fair value 31 Dec. 2023 (in € million)	Potential changes in fair value 31 Dec.2022 (in € million)
Interest-bearing bond (liabilities)	Discount rate	+/- 10 basis points	-/2	+/-3
Participations	Discount rate	+/- 50 basis points	-32;37	-16;17
Loans (assets)	Rating	+/- 1 rating grade	-3;2	-3;2
	Discount rate	+/- 10 per cent	-/1	-/2
	Cashflow	+/- 1 per cent	+/-0,6	+/-0,2
Loans (liabilities)	Discount rate	+/- 10 per cent	-/26	-/27
Derivatives (assets)	Rating	+/- 1 rating grade	9;12	31;29
	Underlying	+/- 1 per cent	+/-0,2	+/-0,4
	Correlation	+/- 5 per cent	-0,2;0,3	-/0,1
Derivatives (liabilities)	Rating	+/- 1 rating grade	-0,5;0,4	-1;0,7

There are no relevant correlations between significant Level 3 input for the fair value measurement of Level 3 financial instruments. This therefore did not have any impact on fair value.

#### (55) Day-One Profits or Losses

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

(in € million)	Financial liabilities designated at fair value through profit or loss	
	2023	2022
<b>1 Jan.</b>	<b>67</b>	<b>59</b>
New transactions Day-One Profits	4	13
Effect on the income statement	- 6	- 5
<b>31 Dec.</b>	<b>65</b>	<b>67</b>

Day-one profits or losses arise in the NORD/LB Group when there are significant price differences between the primary and secondary markets on the same day in the case of long-term structured issues. Moreover, in the present case, the secondary market has a larger trading volume and a stronger trading volume than the primary market. The primary market, as the market on which the issue takes place, is therefore not identical to the main market or the most advantageous market, and the transaction price of the issue does not therefore correspond to the fair value.

The amount of the day-one profit or loss is determined at the level of the individual transaction. For this purpose, the difference between the balance sheet valuation and the issue market value is determined at the value date. Since not all valuation-relevant input factors are observable on the market, day-one profit or loss must be amortised over the remaining term of the respective transaction.

**(56) Risk Provisions and Gross Carrying Amount**

The following overview presents the change, during the reporting period, in the loss allowances for financial assets not measured at fair value through profit and loss and for off-balance-sheet items:

(in € million)	Opening balance 1 Jan. 2023	Transfer			Addition loss allowances		Reversal/utilisation loss allowances			Other changes					Closing balance 31.12. 2023	
		in Stage 1	in Stage 2	in Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes		
<b>Financial assets at fair value through other comprehensive income</b>																
Stage 1																
Debt securities	- 1	-	0	-	- 0	- 1	1	-	0	-	-	0	-	-	-	- 1
	- 1	-	0	-	- 0	- 1	1	-	0	-	-	0	-	-	-	- 1
Stage 2																
Debt securities	- 3	-	- 0	-	- 1	- 0	0	-	1	-	-	-	-	-	-	- 3
	- 3	-	- 0	-	- 1	- 0	0	-	1	-	-	-	-	-	-	- 3
	- 5	-	-	-	- 1	- 1	1	-	2	-	-	0	-	-	-	- 4
<b>Financial assets at amortised cost</b>																
Stage 1																
Debt securities	- 1	- 0	0	-	- 0	- 0	0	-	0	-	-	0	-	-	-	- 0
Loans and advances	- 210	- 29	43	2	- 103	- 38	132	-	24	- 0	-	- 1	- 0	-	-	- 181
	- 211	- 29	43	2	- 103	- 38	132	-	24	- 0	-	- 1	- 0	-	-	- 181
Stage 2																
Debt securities	- 2	0	- 0	-	- 0	-	0	-	0	-	-	0	-	-	-	- 1
Loans and advances	- 203	29	- 47	4	- 144	- 27	75	-	62	- 3	-	2	-	-	-	- 253
	- 205	29	- 47	4	- 144	- 27	75	-	62	- 3	-	2	-	-	-	- 254
Stage 3																
Loans and advances	- 293	-	4	- 6	- 205	- 50	47	131	107	0	10	- 54	12	-	-	- 295
	- 293	-	4	- 6	- 205	- 50	47	131	107	0	10	- 54	12	-	-	- 295
	- 708	-	0	-	- 452	- 115	254	131	193	- 3	10	- 52	12	-	-	- 731
<b>Total</b>	- 713	-	0	-	- 453	- 116	255	131	195	- 3	10	- 52	12	-	-	- 735

(in € million)	Opening balance 1 Jan. 2023	Transfer			Addition loss allowances		Reversal/utilisation loss allowances			Other changes					Closing balance 31.12. 2023	
		in Stage 1	in Stage 2	in Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes		
<b>Off-balance sheet liabilities</b>																
Stage 1																
Loan commitments	- 5	- 0	0	0	- 1	- 5	4	-	2	-	-	2	- 0	-	-	- 3
Financial guarantees	- 1	- 0	0	0	- 0	- 1	1	-	0	-	-	0	-	-	-	- 1
Off-balance sheet liabilities	- 3	- 0	0	0	- 0	- 3	3	-	1	-	-	- 1	-	-	-	- 3
	- 9	- 1	1	0	- 2	- 9	8	-	4	-	-	1	- 0	-	-	- 8
Stage 2																
Loan commitments	- 5	1	- 0	0	- 2	- 4	1	-	4	-	-	- 0	-	-	-	- 7
Financial guarantees	- 3	0	- 0	0	- 1	- 0	1	-	1	-	-	0	-	-	-	- 2
Off-balance sheet liabilities	- 5	0	- 0	0	- 1	- 1	1	-	3	-	-	1	-	-	-	- 4
	- 14	1	- 1	0	- 4	- 5	3	-	7	-	-	0	-	-	-	- 13
Stage 3																
Loan commitments	- 2	-	-	- 0	- 0	- 2	2	-	1	-	0	- 0	-	-	-	- 0
Financial guarantees	- 13	-	-	- 0	- 2	- 7	7	-	1	-	1	- 0	-	-	-	- 14
Off-balance sheet liabilities	- 5	-	0	- 0	- 6	- 0	7	-	2	-	0	- 6	-	-	-	- 8
	- 19	-	0	- 0	- 8	- 9	16	-	3	-	1	- 6	-	-	-	- 22
<b>Total</b>	<b>- 42</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 14</b>	<b>- 24</b>	<b>27</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>1</b>	<b>- 5</b>	<b>- 0</b>	<b>-</b>	<b>-</b>	<b>- 42</b>

Of the total portfolio of risk provisions as at 31 December 2023, a total of € 289 million is attributable to the management adjustment (MA) (€ 259 million) (see also Note (2) Management Adjustment). The in 2023 newly implemented stage 2 transfer criterion collective provisioning led to an increase in model-based risk provisions of approx. € 12 million as at 31 December 2023.

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

The following overview presents the change during the period of the previous year in the the loss allowances for financial assets not measured at fair value through profit and loss and for off-balance-sheet items.

(in € million)	Opening balance 1 Jan. 2022	Transfer			Addition loss allowances		Reversal/utilisation loss allowances			Other changes				Closing balance 31 Dec. 2022	
		in Stage 1	in Stage 2	in Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation		Other changes
<b>Financial assets at fair value through other comprehensive income</b>															
Stage 1															
Debt securities	- 1	- 2	-	-	-	-	2	-	-	-	-	-	-	-	- 1
	- 1	- 2	-	-	-	-	2	-	-	-	-	-	-	-	- 1
Stage 2															
Debt securities	- 5	2	-	-	- 1	-	-	-	1	-	-	-	-	-	- 3
	- 5	2	-	-	- 1	-	-	-	1	-	-	-	-	-	- 3
	- 6	-	-	-	- 1	-	2	-	1	-	-	-	-	-	- 4
<b>Financial assets at amortised cost</b>															
Stage 1															
Debt securities	- 1	-	-	-	-	-	-	-	-	-	-	-	-	-	- 1
Loans and advances	- 213	- 67	68	1	- 140	- 38	154	-	28	-	-	- 3	-	-	- 210
	- 214	- 67	68	1	- 140	- 38	154	-	28	-	-	- 3	-	-	- 211
Stage 2															
Debt securities	- 2	-	-	-	-	-	-	-	-	-	-	-	-	-	- 2
Loans and advances	- 282	67	- 68	8	- 133	- 15	179	-	68	-	-	- 27	-	-	- 203
	- 284	67	- 68	8	- 133	- 15	179	-	68	-	-	- 27	-	-	- 205
Stage 3															
Loans and advances	- 382	-	-	- 9	- 125	- 45	47	50	148	-	7	16	-	-	- 293
	- 382	-	-	- 9	- 125	- 45	47	50	148	-	7	16	-	-	- 293
	- 880	-	-	-	- 398	- 98	380	50	244	-	7	- 14	-	-	- 709
<b>Total</b>	<b>- 886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 399</b>	<b>- 98</b>	<b>382</b>	<b>50</b>	<b>245</b>	<b>-</b>	<b>7</b>	<b>- 14</b>	<b>-</b>	<b>-</b>	<b>- 713</b>

(in € million)	Opening balance 1 Jan. 2022	Transfer			Addition loss allowances		Reversal/utilisation loss allowances			Other changes				Closing balance 31.12. 2022	
		in Stage 1	in Stage 2	in Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation		Other changes
<b>Off-balance sheet liabilities</b>															
<b>Stage 1</b>															
Loan commitments	- 5	-	-	-	- 1	- 6	4	-	3	-	-	-	-	-	- 5
Financial guarantees	- 1	-	-	-	-	- 1	1	-	-	-	-	-	-	-	- 1
Other off-balance-sheet liabilities	- 2	- 1	-	-	- 1	- 2	2	-	3	-	-	- 2	-	-	- 3
	- 8	- 1	-	-	- 2	- 9	7	-	6	-	-	- 2	-	-	- 9
<b>Stage 2</b>															
Loan commitments	- 3	1	-	-	- 11	- 1	1	-	7	-	-	1	-	-	- 5
Financial guarantees	- 3	-	-	-	- 2	- 1	1	-	2	-	-	-	-	-	- 3
Other off-balance-sheet liabilities	- 4	-	-	-	- 1	- 5	5	-	1	-	-	- 1	-	-	- 5
	- 10	1	-	-	- 14	- 7	7	-	10	-	-	-	-	-	- 13
<b>Stage 3</b>															
Loan commitments	- 4	-	-	-	- 1	- 4	5	-	2	-	-	-	-	-	- 2
Financial guarantees	- 4	-	-	-	- 11	-	-	-	2	-	-	-	-	-	- 13
Other off-balance-sheet liabilities	- 12	-	-	-	- 4	- 3	6	-	4	-	-	4	-	-	- 5
	- 20	-	-	-	- 16	- 7	11	-	8	-	-	4	-	-	- 20
<b>Total</b>	<b>- 38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 32</b>	<b>- 23</b>	<b>25</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>- 42</b>

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

The change in the gross carrying amounts during the reporting period for the financial assets at fair value through profit or loss is shown in the following overview.

(in € million)	Opening balance 1 Jan. 2023	Transfer			Addition of assets	Disposal of assets	Direct write- offs of assets	Other changes				Closing balance zum 31.12. 2023
		in Stage 1	in Stage 2	in Stage 3				Modifi- cation of assets	Currency translation	Change from the basis of consolidation	Other Changes	
<b>Financial assets at fair value through other comprehensive income</b>												
Stage 1												
Debt securities	10 610	–	– 11	–	2 621	– 2 821	–	–	– 12	–	–	10 386
Loans and advances	473	–	–	–	1	– 54	–	–	–	–	–	419
	11 083	–	– 11	–	2 622	– 2 876	–	–	– 12	–	–	10 806
Stage 2												
Debt securities	96	–	11	–	4	– 36	–	–	–	–	–	76
	96	–	11	–	4	– 36	–	–	–	–	–	76
	11 180	–	–	–	2 626	– 2 912	–	–	– 12	–	–	10 882
<b>Financial assets at amortised cost</b>												
Stage 1												
Debt securities	3 006	41	– 3	–	230	– 422	–	–	– 43	–	–	2 809
Loans and advances	79 466	462	– 7 135	– 511	15 506	– 15 451	– 15	1	– 66	15	19	72 290
Cash reserve	2 464	–	–	–	1 379	– 373	–	–	6	– 47	– 1	3 429
	84 936	502	– 7 138	– 511	17 115	– 16 246	– 15	1	– 102	– 31	18	78 528
Stage 2												
Debt securities	171	– 41	3	–	1	– 12	–	–	– 5	–	–	118
Loans and advances	3 285	– 462	7 163	– 116	3 519	– 1 338	– 1	1	– 14	–	–	12 038
Cash reserve	–	–	–	–	6	–	–	–	– 0	–	–	6
	3 456	– 502	7 167	– 116	3 526	– 1 350	– 1	1	– 18	–	–	12 161
Stage 3												
Loans and advances	814	1	– 29	628	287	– 422	– 98	2	– 3	–	– 8	1 172
	814	1	– 29	628	287	– 422	– 98	2	– 3	–	– 8	1 172
POCI												
Loans and advances	1	–	–	–	0	–	–	–	–	–	–	1
	1	–	–	–	0	–	–	–	–	–	–	1
	89 207	1	–	–	20 928	– 18 018	– 113	4	– 124	– 31	9	91 863
<b>Total</b>	<b>100 386</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>23 554</b>	<b>– 20 929</b>	<b>– 113</b>	<b>4</b>	<b>– 136</b>	<b>– 31</b>	<b>9</b>	<b>102 744</b>

In the reporting year, financial assets with a gross total carrying amount of € 356 million were modified at the end of the year for which the contractual adjustment did not lead to derecognition and the loss allowances were created based on lifetime expected credit loss. Financial assets with a gross carrying amount of € 0 million, which were modified at stages 2 or 3 for which the contractual adjustment did not lead to derecognition, changed to Stage 1 loss allowances in the reporting period.

The following overview presents the change over the previous year in the gross carrying amounts of financial assets not measured at fair value through profit or loss.

(in € million)	Opening balance 1 Jan. 2022	Transfer			Addition of assets	Disposal of assets	Direct write- offs of assets	Modifi- cation of assets	Other changes			Closing balance 31 Dec. 2022
		in Stage 1	in Stage 2	in Stage 3					Change from the basis of consoli- dation	Other Changes		
<b>Financial assets at fair value through other comprehensive income</b>												
Stage 1												
Debt securities	11 386	122	- 27	-	1 117	- 2 013	-	-	25	-	-	10 610
Loans and advances	842	-	-	-	6	- 375	-	-	-	-	-	473
	12 228	122	- 27	-	1 123	- 2 388	-	-	25	-	-	11 083
Stage 2												
Debt securities	206	- 122	27	-	2	- 17	-	-	-	-	-	96
	206	- 122	27	-	2	- 17	-	-	-	-	-	96
	12 434	-	-	-	1 125	- 2 405	-	-	25	-	-	11 179
<b>Financial assets at amortised cost</b>												
Stage 1												
Debt securities	3 394	31	- 41	-	732	- 1 161	-	-	51	-	-	3 006
Loans and advances	77 513	1 019	- 1 029	- 72	20 351	- 18 223	- 16	-	- 123	-	46	79 466
Cash reserve	6 930	-	-	-	2 682	- 7 178	-	-	- 14	-	44	2 464
	87 837	1 050	- 1 070	- 72	23 765	- 26 562	- 16	-	- 86	-	90	84 936
Stage 2												
Debt securities	201	- 31	41	-	7	- 57	-	-	10	-	-	171
Loans and advances	3 293	- 1 019	1 030	- 47	785	- 812	-	-	55	-	-	3 285
	3 494	- 1 050	1 071	- 47	792	- 869	-	-	65	-	-	3 456
Stage 3												
Loans and advances	1 076	-	- 1	119	117	- 443	- 69	-	15	-	-	814
	1 076	-	- 1	119	117	- 443	- 69	-	15	-	-	814
POCI												
Loans and advances	-	-	-	-	1	-	-	-	-	-	-	1
	-	-	-	-	1	-	-	-	-	-	-	1
	92 407	-	-	-	24 675	- 27 874	- 85	-	- 6	-	90	89 207
<b>Total</b>	<b>104 841</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25 800</b>	<b>- 30 279</b>	<b>- 85</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>90</b>	<b>100 386</b>

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

**(57) Net Gains or Losses by Measurement Category**

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)	Change (in %)
Trading profit/loss	141	- 1 115	> 100
Financial assets mandatorily at fair value through profit or loss	14	- 58	> 100
Designated financial instruments at fair value through profit or loss - Net result in the income statement	- 272	1 050	> 100
Designated financial instruments at fair value through profit or loss - Net result OCI	145	187	- 22
Financial assets at fair value through other comprehensive income - Net result in the income statement	- 13	- 7	87
Financial assets at fair value through other comprehensive income - Net result OCI	355	- 849	> 100
Financial assets at amortised cost	- 95	146	> 100
Financial liabilities at amortised cost	20	- 24	> 100
<b>Total</b>	<b>294</b>	<b>- 670</b>	<b>&gt; 100</b>

The net income in the income statement from financial assets measured at fair value through other comprehensive income and from financial assets measured at amortised cost consists of risk provisions, modification result and disposal result. The net result in other comprehensive income (OCI) from financial assets at fair value through other comprehensive income includes changes in fair value measurement, risk provisions and the disposal result. Income from financial liabilities at amortised cost corresponds to the disposal result.

Profit/loss from hedge accounting are not included in the net results because they are not assigned to any of the categories.

**(58) Offsetting of Financial Assets and Financial Liabilities**

The effects of offsetting claims relating to financial assets and liabilities are presented in the following table.

31 Dec.2023	Gross amount	Amount of the	Net amount	Master netting arrangements and other without balance sheet netting			Net amount			
				before netting	balance sheet netting	after netting		Financial instru- ments	Collaterals	
									Securi- ties collateral	Cash collateral
(in € million)										
<b>Assets</b>										
Offsetting of current accounts	3 090	117	2 972	-	-	-	2 972			
Derivatives	10 907	8 378	2 528	895	-	1 071	562			
Securities lending and repos	165	-	165	14	149	2	0			
<b>Liabilities</b>										
Offsetting of current accounts	19 954	117	19 837	-	-	-	19 837			
Derivatives	11 077	8 378	2 698	895	-	615	1 188			
Securities lending and repos	1 594	-	1 594	14	1 575	-	5			

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

In the NORD/LB Group the netting of current accounts measured at amortised cost is the netting of obligations to account holders due on demand and not subject to any commitments with claims on the same account holder due on demand within the meaning of section 10 of the Credit Institution Accounting Ordinance (RechKredV). This applies if it has been agreed for the calculation of interest and commission that account holders are placed in the same way as when booking through a single account. Offsetting takes place in accordance with IAS 32.42. Receivables and liabilities in different currencies are not offset.

Transactions in derivative financial instruments and securities lending and repurchase transactions are generally carried out on the basis of framework agreements concluded bilaterally with the counterparty. These only see conditional rights to offset the receivables and liabilities recognised at amortised cost as well as the collateral provided and received mostly at fair value, for example, in the event of a breach of contract or insolvency. As a result, there is no current right to offset in accordance with IAS 32.42.

Selected derivative financial instruments are concluded with central counterparties (clearing houses). For these financial instruments reported at fair value, receivables and liabilities recognised at amortised cost as well as collateral provided and received, mostly recognised at fair value, are offset accordingly in accordance with IAS 32.42.

#### (59) Transfer and Derecognition of Financial Assets

The risks and opportunities from transferred financial assets and the associated liabilities that remain in the NORD/LB Group are shown below. This overview also shows the extent to which the purchasers' rights of recourse relate exclusively to the respective transferred assets.

31 Dec.2023	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
<b>(in € million)</b>					
Financial assets at fair value through profit or loss	114	78	114	84	30
Debt securities and other fixed interest securities	114	78	114	84	30
Financial assets at fair value through other comprehensive income	1 937	1 892	1 937	1 876	61
Debt securities and other fixed interest securities	1 937	1 892	1 937	1 876	61
Financial assets at amortised cost	6 455	2 210	3 092	2 072	1 020
Debt securities and other fixed interest securities	1 180	622	1 152	643	508
Loans and advances	5 275	1 588	1 941	1 429	512
<b>Total</b>	<b>8 506</b>	<b>4 179</b>	<b>5 143</b>	<b>4 032</b>	<b>1 111</b>

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

The financial assets transferred within the items financial assets mandatorily at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost primarily represent genuine securities repurchase transactions and securities lending transactions. These are also reported in the consolidated balance sheet, as the interest rate, credit rating and other material risks and opportunities arising from value growth and interest income remain unchanged in the NORD/LB Group. The collateral provided is subject to title transfer, i.e. the entities receiving the collateral can in principle deal with it in the same way as property and, in particular, make disposals in the form of assignments or pledges. In the case of securities collateral, securities of the same type and quality must be returned or delivered free of charge. Return of the collateral provided in the form of liquid assets is not permitted without the consent of the entity providing the collateral when securities are provided.

## (60) Derivative Financial Instruments

The NORD/LB Group uses derivative financial instruments to hedge assets and liabilities. Trading in derivative financial transactions is also carried out.

The nominal values represent the gross volume of all purchases and sales. This value is a reference value for determining mutually agreed compensation payments, but not receivables or liabilities that should be accounted for.

The composition of the portfolio of derivative financial instruments is as follows:

(in € million)	Nominal values		Fair value positive		Fair value negative	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
<b>Interest-rate risk</b>						
OTC options	6 362	6 868	174	191	318	443
Other OTC derivatives	259 909	287 313	1 990	2 382	2 015	2 821
Other exchange-traded derivatives	53	59	–	–	–	–
	<b>266 323</b>	<b>294 240</b>	<b>2 164</b>	<b>2 573</b>	<b>2 333</b>	<b>3 264</b>
<b>Currency risk</b>						
OTC options	410	731	25	50	25	47
Other OTC derivatives	18 187	19 580	286	485	322	375
	<b>18 597</b>	<b>20 311</b>	<b>311</b>	<b>535</b>	<b>347</b>	<b>422</b>
<b>Share price and other price risks</b>						
Other OTC derivatives	26	33	1	1	3	4
	<b>26</b>	<b>33</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>4</b>
<b>Credit derivatives risks</b>						
Credit default swap	1 377	3 231	52	101	20	16
	<b>1 377</b>	<b>3 231</b>	<b>52</b>	<b>101</b>	<b>20</b>	<b>16</b>
<b>Total</b>	<b>286 322</b>	<b>317 815</b>	<b>2 529</b>	<b>3 210</b>	<b>2 704</b>	<b>3 706</b>

#### (61) Hedging Instruments and Hedged Items in Effective Hedging Relationships

For basic information on hedge accounting in the NORD/LB Group, please refer to Note (11) Financial instruments.

Interest rate and interest rate currency swaps are used as hedging instruments in the micro fair value hedge, and interest rate swaps are used as hedging instruments in the portfolio fair value hedge in order to hedge changes in fair value with regard to interest rate risk.

(in € million)	Nominal values		Fair value positive		Fair value negative		Change in fair value	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
<b>Micro fair value hedges</b>								
Interest rate swaps	17 066	18 740	141	168	289	327	54	588
Interest rate currency swaps	354	459	3	23	96	104	– 1	1
	<b>17 419</b>	<b>19 199</b>	<b>144</b>	<b>191</b>	<b>385</b>	<b>431</b>	<b>53</b>	<b>589</b>
<b>Portfolio fair value hedges</b>								
Interest rate swaps	14 887	19 192	2	6	0	7	214	– 1 251
	<b>14 887</b>	<b>19 192</b>	<b>2</b>	<b>6</b>	<b>0</b>	<b>7</b>	<b>214</b>	<b>– 1 251</b>
<b>Total</b>	<b>32 307</b>	<b>38 391</b>	<b>146</b>	<b>197</b>	<b>385</b>	<b>438</b>	<b>266</b>	<b>– 662</b>

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

(in € million)	Carrying amount		of which: hedge adjustments		Change in value considered in effectiveness testing	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
<b>Micro fair value hedges</b>						
Financial assets at fair value through other comprehensive income	1 585	1 724	90	56	35	- 274
Financial assets at amortised cost	7 599	8 284	- 78	- 365	273	- 1 473
Financial liabilities at amortised cost	9 756	9 493	- 140	- 472	- 344	1 167
<b>Portfolio fair value hedges</b>						
Financial assets at fair value through other comprehensive income	1 277	1 062			27	- 53
Financial assets at amortised cost	1 310	3 112			22	- 535
Financial liabilities at amortised cost	9 824	9 888			- 260	1 849

The fair value changes or changes in value used to assess the (in)effectiveness are reported in the income statement under profit/loss from hedge accounting (see Note (27) Profit/loss from hedge accounting).

The following table shows the remaining maturities of derivative financial instruments used as hedging instruments in micro fair value hedge accounting.

Nominal values	Up to 3 months		More than 3 months to 1 year		More than 1 year to 5 years		More than 5 years		Total	
	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023	31 Dec. 2023
(in € million)										
Interest-rate risks	146	1 094	2 113	1 035	8 290	9 688	6 516	6 923	17 066	18 740
Currency risks	38	-	64	20	96	267	155	172	354	459
<b>Total</b>	<b>184</b>	<b>1 094</b>	<b>2 177</b>	<b>1 055</b>	<b>8 387</b>	<b>9 955</b>	<b>6 672</b>	<b>7 095</b>	<b>17 419</b>	<b>19 199</b>

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

**(62) Residual Maturities of Financial Liabilities**

31 Dec.2023	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
(in € million)						
<b>Trading liabilities</b>	173	370	1 448	3 807	5 452	11 249
Derivatives	173	370	1 448	3 796	5 446	11 233
Delivery obligations from short-sales	–	–	0	10	6	16
<b>Designated financial assets at fair value through profit or loss</b>	19	40	175	1 134	5 547	6 915
Deposits	13	9	101	713	4 878	5 715
Securitised liabilities	5	31	74	421	669	1 200
<b>Financial liabilities at amortised costs</b>	28 257	5 613	12 333	29 186	27 442	102 831
Deposits	27 751	4 772	7 963	14 939	24 084	79 509
Securitised liabilities	506	842	4 370	14 247	3 358	23 322
<b>Negative fair values from hedge accounting derivatives</b>	58	87	263	649	422	1 479
<b>Other liabilities (only financial instruments)</b>	1	–	–	–	–	1
<b>Issued loan commitments</b>	18 807	478	774	513	96	20 668
<b>Issued financial guarantees</b>	3 746	–	0	2	8	3 756
<b>Total</b>	<b>51 061</b>	<b>6 588</b>	<b>14 993</b>	<b>35 291</b>	<b>38 966</b>	<b>146 898</b>
31 Dec.2022	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
(in € million)						
<b>Trading liabilities</b>	103	203	1 792	7 284	7 658	17 040
Derivatives	103	203	1 791	7 263	7 657	17 017
Delivery obligations from short-sales	–	–	1	21	1	23
<b>Designated financial assets at fair value through profit or loss</b>	17	65	698	1 068	5 497	7 345
Deposits	13	7	87	647	4 750	5 504
Securitised liabilities	4	58	611	421	747	1 841
<b>Financial liabilities at amortised costs</b>	28 650	4 422	9 256	29 193	28 603	100 124
Deposits	28 276	3 058	7 276	16 187	24 494	79 291
Securitised liabilities	374	1 364	1 980	13 006	4 109	20 833
<b>Negative fair values from hedge accounting derivatives</b>	36	48	286	1 225	743	2 338
<b>Other liabilities (only financial instruments)</b>	1	–	–	–	–	1
<b>Issued loan commitments</b>	19 455	227	797	790	99	21 368
<b>Issued financial guarantees</b>	3 630	–	–	13	11	3 654
<b>Total</b>	<b>51 892</b>	<b>4 965</b>	<b>12 829</b>	<b>39 573</b>	<b>42 611</b>	<b>151 870</b>

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

**(63) The NORD/LB Group as Assignor and Assignee**

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

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Financial assets at fair value through profit or loss	114	150	– 24
Financial assets at fair value through other comprehensive income	1 977	1 104	79
Financial assets at amortised costs	46 181	45 424	2
<b>Total</b>	<b>48 272</b>	<b>46 678</b>	<b>3</b>

Collateral was provided for borrowings under genuine repurchase agreements (repo transactions). In addition, collateral was provided for earmarked refinancing funds such as the cover assets in the cover pool of the mortgage institutions of the NORD/LB Group and the loans underlying the securitisation transactions. Collateral was also provided for securities lending transactions as well as for transactions with clearing brokers and on exchanges.

The amount of financial assets provided as collateral for which the collateral takers have the contractual or customary right to sell or repledge the collateral amounted to € 1,599 million (€ 790 million). These are essentially collateral provided in the form of cash or securities.

Assets have been transferred as collateral in the amount of the stated values for the following obligations:

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Trading liabilities	1 300	1 763	- 26
Financial liabilities designated at fair value through profit or loss	-	496	- 100
Securitized liabilities	14 933	13 263	13
Hedge accounting derivatives	303	334	- 9
<b>Total</b>	<b>16 536</b>	<b>15 856</b>	<b>4</b>
Contingent liabilities for which the mentioned assets as collateral were transferred	4	6	- 30

The fair value of collateral received, in particular in the context of securities repurchase and lending transactions, which may be repledged or resold even if the collateral provider does not default, amounted to € 163 million (€ 24 million). In the 2023 reporting year, as well as in the previous year, no collateral was held that may be sold or assigned without the default of the collateral providers.

Collateral that may be repledged or resold without the default of the collateral providers was recognised. The repayment obligation at current fair values was € 14 million (€ 20 million).

Repurchase and borrowing transactions are monitored on a daily basis for collateralisation by means of a measurement of the transactions. If a negative balance occurs that exceeds a contractually defined threshold value, the collateral takers may demand that the collateral providers provide additional security to increase the sum covered. If the collateral providers have provided the collateral and the market situation changes to such an extent that over-collateralisation arises that exceeds a contractually defined threshold value, the collateral providers may demand that the collateral takers releases some of the collateral. The collateral provided is subject to title transfer, i.e. the entities receiving the collateral can in principle deal with it in the same way as property and, in particular, make disposals in the form of assignments or pledges. In the case of securities collateral, securities of the same type and quality must be returned or delivered free of charge. Return of the collateral provided in the form of liquid assets is not permitted without the consent of the entity providing the collateral when securities are provided.

## Other Notes

### (64) Equity Management

Equity management for the NORD/LB Group takes place in the NORD/LB Group parent company. The objectives are to ensure adequate capital in quantitative and qualitative terms, to achieve an appropriate return on equity and to ensure long-term compliance with the regulatory minimum capital requirements at Group level.

In the reporting period, the key equity indicators for equity management were the "sustainable equity under commercial law" derived from the balance sheet equity as a variable for measuring the return on equity as well as the regulatory ratios of common equity Tier 1 capital, core capital and equity in the definition of the prevailing version of EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (capital requirements regulation, CRR).

These regulatory capital ratios are subject to statutory minimum capital requirements and capital buffers as well as additional requirements applicable individually at NORD/LB Group level for compliance with certain capital ratios by the European Central Bank (ECB) in its role as the competent supervisory authority of NORD/LB. For all of these minimum equity ratios, the numerator forms the respective equity ratio; the denominator in each case represents the total risk amount in accordance with Art. 92 (3) CRR. NORD/LB maintained these minimum equity ratios throughout the reporting period. Details on the regulatory minimum equity ratios and changes in the actual equity ratios in the reporting period are explained in the section on "Significant events in the reporting year" in the economic report. The corresponding actual data can be found in the note (65) Regulatory Data.

In addition to the regulatory requirements, internal target equity ratios have been set at Group level for some of the aforementioned equity ratios, and these are higher in each case.

The core tasks of equity management during the reporting period were

- the professional initiation and/or monitoring of measures to strengthen equity and to further optimise the equity structure and the total risk exposure amount.
- operational management of the relevant equity ratios and the total risk exposure amount in order to achieve the internal target equity ratios and thus intrinsic to compliance with the regulatory minimum equity ratios.
- professional support as part of the EU-wide banking stress test.

In addition, the equity management process regularly performs needs-based forecasting of the relevant equity ratios, the total risk exposure amount and the associated equity ratios. Their trends are reported to the management, to the supervisory bodies and institutions of the Bank, to the Banking supervisory authorities and, if necessary, to other external parties such as rating agencies. If these analyses reveal a need for management, adjustment measures are taken with regard to the total risk exposure amount and/or – in coordination with the owners – optimisation measures or measures to strengthen equity geared towards individual equity ratios.

Equity management also forms the basis for planning and controlling of the MREL ratios. In accordance with EU Directive 2014/59 establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD), MREL represents the "minimum requirements for own funds and eligible liabilities" that banks in the EU must hold for loss absorption in a resolution case. As with the procedure for the regulatory minimum equity ratios, NORD/LB is required by the competent European Resolution Authority (SRB) to comply with several minimum ratios with regard to MREL, each of which consists of

MREL figures in the numerator and the total risk amount in the denominator, on the one hand, and the leverage ratio exposure as the denominator of the leverage ratio, on the other. Details on the specified minimum MREL ratios and changes in the corresponding actual ratios in the reporting period can be found in the chapter "Significant events in the reporting year" in the economic report.

To manage the MREL ratios and therefore to comply with the MREL minimum ratios, equity management takes into account the interaction of own funds and liabilities eligible as MREL in the planning and forecast calculations as well as initiating and/or accompanying technically required measures to adjust NORD/LB's liability structure.

Equity management requirements will remain diverse in the future due to the required response to new regulatory requirements and ongoing changes in the ECB's and/or SRB's individual minimum capital requirements, as well as the implementation of or support for special regulatory requirements.

### (65) Regulatory Data

The following consolidated regulatory data for the Group were determined as at the reporting date in accordance with the provisions of Regulation (EU) No. 575/2013 on prudential requirements for banks and investment firms (CRR).

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)
<b>Total risk exposure amount</b>	<b>40 572</b>	<b>40 142</b>
Capital requirements for credit risks	2 928	2 846
Capital requirements for operational risks	168	196
Capital requirements for market risks	95	125
Capital requirements for credit value adjustments	48	43
Other or transitional capital requirements	6	-
<b>Capital requirements</b>	<b>3 246</b>	<b>3 211</b>

The following overview shows the composition of regulatory capital for the Group in accordance with Article 25 et. seq. of the CRR:

	31 Dec.2023 (in € million)	31 Dec.2022 <sup>1)</sup> (in € million)
Paid-up capital including premium	5 747	5 716
Retained earnings	1 364	1 258
Accumulated OCI	- 410	- 517
Regulatory adjustments	- 269	- 193
- Deductible items (from CET 1 capital)	- 284	- 213
<b>Common Equity Tier 1 capital</b>	<b>6 147</b>	<b>6 051</b>
Paid-in instruments of additional Tier 1 capital	50	50
<b>Additional Tier 1 capital</b>	<b>50</b>	<b>50</b>
<b>Tier 1 capital</b>	<b>6 198</b>	<b>6 101</b>
Paid-up instruments of Tier 2 capital	813	1 161
Other components of Tier 2 capital	-	189
- Deductible items (from Tier 2 capital)	- 10	- 10
<b>Tier 2 capital</b>	<b>803</b>	<b>1 340</b>
<b>Own funds</b>	<b>7 000</b>	<b>7 441</b>

<sup>1)</sup>The previous year's figures were adjusted slightly due to corrections.

	31 Dec.2023 (in %)	31 Dec.2022 <sup>1)</sup> (in %)
Common Equity Tier 1 capital ratio	15.15%	15.07%
Tier 1 capital ratio	15.28%	15.20%
Total capital ratio	17.25%	18.54%

<sup>1)</sup> The previous year's figures were adjusted slightly due to corrections.

## (66) Foreign Currency Volume

As at 31 December 2023 and 31 December 2022, the NORD/LB Group held the following financial assets and liabilities in foreign currencies:

(in € million)	USD	GBP	JPY	Other	Total 31 Dec. 2023	Total 31 Dec. 2022
<b>Assets</b>						
Cash reserve	191	–	–	1	192	369
Trading assets	3 988	811	213	1 522	6 535	7 839
Financial assets at fair value through profit or loss	5	40	–	1	46	51
Financial assets at fair value through other comprehensive income	371	63	–	76	510	525
Financial assets at amortised costs	6 830	4 017	162	853	11 862	11 190
Positive fair values from hedge accounting derivatives	0	3	–	–	3	5
Balancing items for financial instruments hedged in portfolio fair value hedges	– 28	–	–	–	– 28	– 34
Shares in companies - not accounted for using the equity method	–	–	–	3	3	3
Tangible assets	4	–	–	1	5	3
Income tax assets	14	– 2	–	–	11	13
Other assets	12	4	0	2	19	14
<b>Total</b>	<b>11 387</b>	<b>4 936</b>	<b>375</b>	<b>2 459</b>	<b>19 158</b>	<b>19 978</b>
<b>Liabilities</b>						
Trading liabilities	7 733	4 665	312	2 097	14 807	14 408
Financial liabilities designated at fair value through profit or loss	13	–	–	–	13	14
Financial liabilities at amortised costs	3 174	205	19	272	3 670	4 716
Negative fair values from hedge accounting derivatives	254	176	34	69	533	629
Balancing items for financial instruments hedged in portfolio fair value hedges	– 5	–	–	–	– 5	– 16
Provisions	17	1	0	0	18	19
Income tax liabilities	2	– 0	–	2	4	3
Other liabilities	40	10	0	5	55	62
<b>Total</b>	<b>11 229</b>	<b>5 056</b>	<b>364</b>	<b>2 446</b>	<b>19 095</b>	<b>19 835</b>

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

## (67) Non-current Assets and Liabilities

In the case of balance sheet items that include both current and non-current assets or liabilities, the assets and liabilities that are realised or settled after more than twelve months are shown below.

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
<b>Assets</b>			
Trading assets	3 170	4 123	- 23
Derivatives	2 093	2 948	- 29
Loans and advances	1 078	1 175	- 8
Financial assets at fair value through profit or loss	354	559	- 37
Equity instruments	1	-	-
Debt securities and other fixed interest securities	301	392	- 23
Loans and advances	52	167	- 69
Financial assets at fair value through other comprehensive income	7 931	8 818	- 10
Debt securities and other fixed interest securities	7 651	8 432	- 9
Loans and advances	281	386	- 27
Financial assets at amortised costs	67 677	68 146	- 1
Debt securities and other fixed interest securities	2 688	3 021	- 11
Loans and advances	64 988	65 125	- 0
Positive fair values from hedge accounting derivatives	122	181	- 33
Balancing items for financial instruments hedged in portfolio fair value hedges	- 136	- 221	- 39
<b>Total</b>	<b>79 119</b>	<b>81 606</b>	<b>- 3</b>
<b>Liabilities</b>			
Trading liabilities	2 046	3 208	- 36
Derivatives	2 046	3 208	- 36
Financial liabilities designated at fair value through profit or loss	3 901	3 757	4
Deposits	3 045	2 865	6
Securitised liabilities	857	892	- 4
Financial liabilities at amortised costs	50 803	51 963	- 2
Deposits	34 350	36 124	- 5
Securitised liabilities	16 454	15 839	4
Negative fair values from hedge accounting derivatives	322	408	- 21
Balancing items for financial instruments hedged in portfolio fair value hedges	- 855	- 1 289	- 34
Provisions	1	1	-
<b>Total</b>	<b>56 218</b>	<b>58 048</b>	<b>- 3</b>

## (68) Leasing Relationships

### NORD/LB as lessee

In the reporting year, the NORD/LB Group primarily rented real estate, hardware and vehicles.

The leases for real estate relate in particular to the Hanover and Braunschweig locations. The average rental period for real estate is five years. There is a significant lease for a building with a term of eleven years (remaining term seven years) at the Hanover site. The lease can be renewed up to four times.

The average contract duration for the vehicle fleet is three years; hardware is rented for an average of seven years.

The following expenses were incurred for the NORD/LB Group as lessee:

(in € million)	1 Jan. - 31 Dec.2023	1 Jan. - 31 Dec.2022	Change in %	Item in profit or loss
Interest expense on lease liabilities	- 1	- 1	-	Interest expenses from liabilities
Expense relating to leases of low-value assets	- 1	- 1	-	Administrative expenses

Cash outflows for leasing relationships in the reporting period amounted to € 13 million (€ 16 million).

There could be future cash outflows that were not taken into account in the measurement of lease liabilities. Such outflows may result from variable lease payments, extension and termination options, residual value guarantees and leases beginning in the future. As at 31 December 2023 and in the previous year, there were no extension and termination options which were not taken into account when valuing the lease liability.

Changes in rights of use from leasing, including additions, is presented under Note (42) Investment properties.

The following table shows the carrying amounts and depreciation amounts of rights of use from leasing broken down by category:

(in € million)	Carrying amount		Depreciation	
	31 Dec.2023	31 Dec.2022	1 Jan. - 31 Dec.2023	1 Jan. - 31 Dec.2022
Real estate	52	69	- 10	- 15
Hardware	8	9	- 2	- 3

The residual terms of the undiscounted financial liabilities from leases are shown below. These are defined as the time remaining from the reporting date to the contractual maturity date.

31 Dec.2023	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
(in € million)						
Lease liabilities	2	2	9	36	21	70

#### NORD/LB as lessor - Operating Lease

In the reporting year, the NORD/LB Group primarily rented out real estate.

The properties are mainly commercial, residential and office properties at the Hanover, Bremen, Magdeburg, Oldenburg and Braunschweig locations. The leases are individually designed with extension options. The leases for residential properties are unlimited.

Lease income from operating leases is recognised in other operating profit/loss.

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Lease income from Investment Property	12	11	7

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

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Future lease payments up to 1 year	15	7	> 100
Future lease payments more than 1 year up to 2 years	14	10	46
Future lease payments more than 2 years up to 3 years	13	9	44
Future lease payments more than 3 years up to 4 years	12	8	56
Future lease payments more than 4 years up to 5 years	12	7	64
Future lease payments more than 5 years	394	235	67
<b>Total undiscounted, future lease payments</b>	<b>460</b>	<b>276</b>	<b>67</b>

### NORD/LB as lessor - Finance Lease

The financial leases primarily concern vehicles and machines. In addition, the Group has purchased water pipes which are leased under a financial lease. The lessees are obliged to pay an annual variable rental price. The lessees can buy back the leased asset during or at the end of the lease period. The term is 30 years and ends in 2035.

Interest income from financial leases is recognised in net interest income. The carrying amount of the net asset in finance leases in the amount of € 26 million (€ 25 million) was largely unchanged on the previous year.

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

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
Future lease payments up to 1 year	2	2	- 10
Future lease payments more than 1 year up to 2 years	2	3	- 43
Future lease payments more than 2 years up to 3 years	2	1	76
Future lease payments more than 3 years up to 4 years	2	1	76
Future lease payments more than 4 years up to 5 years	1	-	-
Future lease payments more than 5 years	20	21	- 4
<b>Total undiscounted, future lease payments</b>	<b>28</b>	<b>28</b>	<b>0</b>
Less financial income not yet realised	- 2	- 4	- 42
Plus discounted, unguaranteed residual values	-	1	- 100
<b>Net investment in finance leases</b>	<b>26</b>	<b>25</b>	<b>3</b>

### (69) Contingent Liabilities and Other Obligations

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)	Change (in %)
<b>Contingent liabilities</b>			
Liabilities from guarantees and other indemnity agreements	4 324	4 072	6
Other contingent liabilities	118	93	27
	<b>4 442</b>	<b>4 165</b>	<b>7</b>
<b>Other obligations</b>			
Irrevocable credit commitments	10 848	11 990	- 10
<b>Total</b>	<b>15 290</b>	<b>16 155</b>	<b>- 5</b>

Liabilities from guarantees and guarantee contracts include loan guarantees, trade-related guarantees and contingent liabilities from other guarantees and warranties.

NORD/LB ensures that the companies named below can fulfil their obligations:

- Nieba GmbH, Hanover,
- NORD/LB Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel/Luxembourg,
- Skandifinanz AG, Zurich, Switzerland

For reasons of practicability, no information is provided on the amount or timing of asset outflows or on the possibility of compensatory payments.

### (70) Other Financial Obligations

NORD/LB must make contributions to the restructuring fund for banks (bank levy). In the past, the Bank has made use of the option to make part of the fixed annual contribution as an irrevocable payment obli-

gation and provide cash collateral in the same amount for the benefit of the restructuring fund. While the irrevocable payment obligations are not recognised as liabilities, the cash collateral provided is recognised under other assets. Irrevocable payment obligations of € 10 million (€ 9 million) were entered into in the reporting year. The total irrevocable payment obligations in connection with the bank levy amounted to € 59 million (€ 49 million) as at the reporting date. Legal uncertainties with a possible impact on the recognition of this amount arise due to ongoing court proceedings concerning bank taxation.

As a member of the Bank-related hedging reserve of the Landesbanken (deposit guarantee fund), which is part of the S-Finanzgruppe hedging system, NORD/LB must pay annual contributions. The Bank has made part of the fixed annual contributions as an irrevocable payment obligation and provided cash collateral in the same amount for the benefit of the deposit guarantee fund. While the irrevocable payment obligations are not recognised as liabilities, the cash collateral provided is recognised under other assets. Irrevocable payment obligations of € 15 million (€ 7 million) were entered into in the reporting year. The total irrevocable payment obligations in connection with the deposit guarantee fund amounted to € 59 million (€ 44 million) as at the reporting date. In addition to the contributions already made, there are additional funding obligations amounting to an estimated € 49 million (€ 49 million). If a support case arises, the additional funds can be claimed immediately.

The NORD/LB Group acts as guarantor for the obligations of the Sparkassenverband Niedersachsen (SVN) on account of its membership of the Deutsche Sparkassen- und Giroverband (German Savings Bank and Giro Association), a body under public law, and DekaBank Deutsche Girozentrale. In addition, together with the other shareholders of DekaBank Deutsche Girozentrale, there is a liability for old liabilities established up to 18 July 2005 within the framework of the guarantor function.

Furthermore, up until 31 August 2023, NORD/LB, together with the Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin AG, exercised the guarantor function at LBS Norddeutsche Landesbausparkasse Berlin-Hannover. Since the merger of LBS Nord and LBS West into LBS Landesbausparkasse NordWest, implemented on 1 September 2023, NORD/LB has performed the executing agency function at LBS Landesbausparkasse NordWest together with the Rheinische Sparkassen- und Giroverband (RSGV), the Westfälisch-Lippische Sparkassen- und Giroverband (SVWL), the Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin AG. Together with the other owners of LBS Landesbausparkasse NordWest, NORD/LB is liable as part of the owner function for the former liabilities of the aforementioned company established up to 18 July 2005.

NORD/LB, together with other limited partners, holds a stake in CG-Terrassen GmbH & Co. KG (formerly: Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. - Objekt Zietenterassen - KG). A limited partner has released the former general partner IDB Niedersachsen mbH from liability. NORD/LB Group assumes 50 per cent of the possible obligations from this declaration of liability in the internal relationship. The statutory subsequent liability results in a possible liability risk for any claims arising up to 2019, which will be asserted by 2024 at the latest. An identical exemption from liability was agreed with effect from 2020 for the benefit of the new general partner Casa Gutingi Verwaltungs GmbH.

In accordance with its legal form, NORD/LB has unlimited liability *viz-à-viz* the creditors of GLB GmbH & Co. OHG. All shareholders are either legal entities under public law (regional banks) or companies under private law, in which the majority of the company shares are held directly or indirectly by public-law entities. After the sale and assignment of the previously held direct holding and the atypical silent participation in DekaBank in 2011, the company no longer operates any active business activities. There are no material risks from the final settlement of withdrawable profit shares from previous years once the tax certificates of DekaBank have been materially validated.

NORD/LB and the other limited partners of Braunschweig Grund Objektgesellschaft Driebenbergh mbH & Co. KG (in liquidation) have released the general partner from liability.

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

As part of normal business activities, the NORD/LB Group provided collateral in the form of securities in the nominal amount of € 33 million (€ 36 million).

Based on the measures agreed in the basic agreement to strengthen capital, NORD/LB concluded guarantee contracts with the State of Lower Saxony in 2019 to hedge loss risks and free up regulatory capital.

NORD/LB terminated a securitisation transaction in the second quarter of 2023 that it had concluded for the purpose of relieving regulatory equity. This related the securitisation of a loan portfolio.

A fixed guarantee commission is contractually agreed for each of the two remaining guarantees, which must be paid in fixed quarterly instalments. The outstanding guarantee fee as at 31 December 2023 for the guarantee for the ship financing sub-portfolio totalled € 9 million; from 2024, no commission payments are due for the reference portfolio from the Special Financing segment.

NORD/LB has concluded rental agreements and leases, among other things, for land and buildings used for banking purposes or certain operating and business equipment as well as service agreements. All contracts concluded by the Bank in this form are within the scope of normal business practice. The resulting other financial obligations are not relevant either individually or collectively for the assessment of the Bank's financial position.

## Companies and Persons with Group Connections

### (71) Number of Employees

The average number of staff<sup>1)</sup> in the NORD/LB Group during the reporting period is distributed as follows:

	Male 1 Jan. - 31 Dec. 2023	Male 1 Jan. - 31 Dec. 2022	Female 1 Jan. - 31 Dec. 2023	Female 1 Jan. - 31 Dec. 2022	Total 1 Jan. - 31 Dec. 2023	Total 1 Jan. - 31 Dec. 2022
NORD/LB	1 856	1 898	1 862	1 947	3 718	3 845
NORD/LB Luxembourg S.A. Covered Bond Bank	91	98	30	32	121	130
KreditServices Nord GmbH	21	43	29	117	50	160
Other	51	52	41	41	92	93
<b>Group</b>	<b>2 019</b>	<b>2 091</b>	<b>1 962</b>	<b>2 137</b>	<b>3 981</b>	<b>4 228</b>

<sup>1)</sup> Part-time employees are credited in full (not pro rata)

### (72) Disclosures of Interests in Other Entities

#### *Consolidated subsidiaries*

Out of 19 (21) subsidiaries included in the consolidated financial statements, five (eight) are structured entities in accordance with IFRS 12.

The NORD/LB Group held non-controlling interests as at 31 December 2023 and 31 December 2022. As at the aforementioned reporting dates, these were not material in terms of either their share of Group equity or their share of Group net income.

Statutory, contractual or regulatory restrictions, as well as property rights of non-controlling interests, can restrict the NORD/LB Group in its ability to gain access to the Group's assets or to transfer these unhindered between Group companies and settle the Group's liabilities.

The NORD/LB Group has restrictions on collateral provided, restrictions on plan assets in accordance with IAS 19 and on the minimum liquidity reserve. With regard to the restrictions on collateral provided, please refer to Note (63) The NORD/LB Group as collateral provider and collateral taker. The information on the collateral provided also includes the cover assets in the cover pool of the mortgage banks in the NORD/LB Group and loans pooled on the basis of securitisation transactions. Restrictions on plan assets can be seen in Note (50) Provisions.

As presented in Note (6) Consolidation principles, structured entities are consolidated when the relationship between the Group and the structured entities shows that they are controlled by the Group.

As at the reporting date, one (one) structured entity was consolidated as the Group is contractually obliged to provide it with financial assistance. This relates to Conduit Hannover Funding Company LLC (Hannover Funding), which acquires receivables from corporate customers and refinances this purchase by issuing commercial papers. The NORD/LB Group grants the Company a liquidity facility in such a way that Hannover Funding can draw on the NORD/LB Group in the event of financing and liquidity bottlenecks. This situation is regulated in the liquidity asset purchase agreement. Due to contractual agreements, the NORD/LB Group has no access to the assets and liabilities of Hannover Funding.

#### *Associated companies*

Among the four (five) associates included in the consolidated financial statements, zero (one) associate is of significant importance to the Group due to the proportionate result and the proportionate overall result.

As the entity is classified as for sale under IFRS 5 compared with the same period in the previous year, the disclosure of the combined financial information has been waived due to an exemption.

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

	31 Dec.2023 (in € million)	31 Dec.2022 (in € million)
Carrying amount of the shares of non-significant associated companies	57	56
<b>NORD/LB Group's share in</b>		
<b>Profit/loss from continuing operations</b>	4	5
<b>Comprehensive income</b>	4	5

Restrictions on (credit) contracts or supervision may restrict an associate from paying cash dividends to the Group or repaying loans granted by the Group. There were no such restrictions as at the reporting date.

Contingent liabilities and other obligations to associated companies amounted to € 2 million (€ 64 million) as at the reporting date.

#### *Unconsolidated structured entities*

The NORD/LB Group participates in structured entities that are not included as subsidiaries in the consolidated financial statements. Structured entities are entities that are designed in such a way that voting or similar rights are not the dominant factor in determining who controls these entities. This is the case, for example, if voting rights only relate to administrative tasks and the relevant activities are controlled by contractual agreements.

Structured entities existed in the NORD/LB Group in the form of securitisation companies, leasing property companies and other loan-financed special purpose and project companies.

The subject matter of this disclosure is structured entities that the Group does not consolidate because it does not control these through voting rights, contractual rights, financing agreements or other means.

#### *Securitisation companies*

Securitisation companies invest financial resources in diversified pools of assets. These include fixed-income securities, corporate loans, commercial and private real estate loans and credit card receivables. The securitisation companies finance these purchases by issuing various tranches of debt and equity securities, the repayment of which is linked to the performance of the vehicle's assets. The Group may transfer assets synthetically or effectively to securitisation companies and provide them with liquidity in the form of financing.

#### *Leasing property companies*

The NORD/LB Group acts as the lender for companies that are established exclusively for the purpose of acquiring or developing various commercial real estate, generally by well-known leasing companies. The financing is secured by the financed real estate. Leasing property companies are typically managed in the legal form of a GmbH & Co. KG. Due to existing contractual agreements, these are often managed by the respective lessee. Leasing property companies are also financed in the area of project financing and as part of aircraft commitments.

#### *Property and project financing*

The Group provides financing for structured entities that generally each hold an asset, such as real estate or an aircraft. In many cases, these structured entities have the legal form of a partnership. The equity of these companies is very low compared with the debt financing provided.

#### *Shares in structured entities*

The Group's interests in non-consolidated structured entities consist of contractual or non-contractual participation in these entities, which expose the Group to variable returns from the performance of the structured entities. Examples of interests in unconsolidated structured entities include debt or equity instruments, liquidity facilities, guarantees and various derivative instruments through which the Group absorbs risks from structured entities.

Shares in non-consolidated structured entities do not include instruments through which the Group transfers risks exclusively to the structured entity. For example, if the Group credit default insurance purchased from non-consolidated structured entities, the purpose of which is to transfer credit risks to an investor, the Group transfers this risk to the structured entity and no longer carries it itself. Such credit default insurance therefore does not represent a share in a structured entity.

#### *Income from shares in structured entities*

Interest income is generated by financing structured entities. All income arising from the trading of derivatives with structured entities and from changes in the value of the securities held is recognised in the income statement in the item profit/loss from financial assets at fair value.

#### *Size of structured units*

The size of a structured entity is determined by the nature of its operations. It may therefore be necessary to set different rules for different entities. The NORDBANK Group considers the following key figures to be appropriate indicators for the size of the structured entities:

- Securitisation companies: current total volume of tranches issued
- (Leasing) property companies: Total assets of the (leasing) property companies

#### *Maximum risk of loss*

The maximum possible risk of loss is the maximum loss that the Group would have to recognise in the income statement and the statement of comprehensive income from its exposure to unconsolidated structured entities. Collateral or hedging transactions and the probability of occurrence of a loss are disregarded in the determination. The maximum possible risk of loss does not therefore have to correspond to the economic risk.

The maximum possible risk of loss is determined by the type of exposure to a structured company. The maximum possible risk of loss from loans and advances, including debt securities, is the carrying amount presented in the balance sheet. The same applies to trading assets as well as ABS, MBS and CDO positions. The maximum possible loss of off-balance-sheet transactions, such as guarantees, liquidity facilities and loan commitments, is their nominal value. For derivatives, the maximum possible risk of loss is also their nominal value.

The following table shows, by type of unconsolidated structured entity, the carrying amounts of the Group's shares recognised in the Group's balance sheet and the maximum possible loss that could result from these shares. It also provides an indication of the size of the unconsolidated structured entities. The values do not reflect the Group's economic risk from these investments, as they do not take into account collateral or hedging transactions.

31 Dec.2023	Securiti- sation compa- nies (lender)	Securiti- sation compa- nies (lenders)	Securiti- sation compa- nies (investor)	Leasing compa- nies	Property and pro- ject fi- nance	Total
(in € million)						
Size of the non-consolidated structured company	72	55	1 856	10 873	11	12 868
Financial assets at fair value through profit or loss	–	–	61	–	–	61
Financial assets at amortised costs	48	–	0	483	5	536
<b>Assets reported in the balance sheet of the Nord/LB Group</b>	<b>48</b>	<b>0</b>	<b>61</b>	<b>483</b>	<b>5</b>	<b>597</b>
Trading liabilities	–	–	–	1	–	1
Financial liabilities at amortised costs	1	–	–	7	0	8
<b>Liabilities reported in the balance sheet of the Nord/LB Group</b>	<b>1</b>	<b>0</b>	<b>–</b>	<b>8</b>	<b>0</b>	<b>9</b>
Off-balance-sheet positions	74	134	–	18	–	227
Maximum risk of loss	123	157	61	525	5	870
Losses incurred during the reporting period	13	0	–	11	–	24
31 Dec.2022	Securiti- sation compa- nies (lender)	Securiti- sation compa- nies (lenders)	Securiti- sation compa- nies (investor)	Leasing compa- nies	Property and pro- ject fi- nance	Total
(in € million)						
Size of the non-consolidated structured company	20	–	2 832	10 078	20	12 950
Trading assets	–	–	–	27	–	27
Financial assets at fair value through profit or loss	–	–	90	–	5	95
Financial assets at amortised costs	11	–	4	472	5	492
<b>Assets reported in the balance sheet of the Nord/LB Group</b>	<b>11</b>	<b>–</b>	<b>94</b>	<b>499</b>	<b>10</b>	<b>614</b>
Trading liabilities	–	–	–	1	–	1
Financial liabilities at amortised costs	–	–	–	3	–	3
<b>Liabilities reported in the balance sheet of the Nord/LB Group</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>4</b>
Off-balance-sheet positions	–	–	1	9	–	10
Maximum risk of loss	11	–	96	538	10	655
Losses incurred during the reporting period	–	–	3	–	–	3

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

The NORD/LB Group is regarded as a sponsor of a structured entity if market participants associate it with the structured company in a justified manner. Sponsorship exists in the NORD/LB Group if

- the NORD/LB Group was involved in the founding of the structured entity and contributed to its objectives and design;
- the name of the structured entity contains elements that establish a connection to the NORD/LB Group;
- the assets and liabilities of the structured entity are managed on the basis of a strategy developed by the Group; or
- The NORD/LB Group issued or acquired the assets before they were contributed to the structured entity (i.e. NORD/LB is the originator of the structured entity).

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

Default risks from loan receivables in the amount of € 16 million (€ 13 million) were transferred to these in the 2023 financial year by means of a financial guarantee or within the scope of syndicate agreements (see Note (70) Other Financial Obligations).

Income from the aforementioned sponsored non-consolidated structured entities in which the NORD/LB Group does not hold a share as at the reporting date was not available in the reporting period.

**(73) Related Parties**

Related parties are all consolidated and non-consolidated subsidiaries, associated companies and joint ventures as well as the subsidiaries of joint ventures and associated companies. Other related parties of the NORD/LB Group are the owners of NORD/LB, their subsidiaries and joint ventures as well as companies controlled by related parties or under joint management.

Natural persons considered to be related in accordance with IAS 24 are the members of the Managing Board, the Supervisory Board and the committees of NORD/LB as parent companies and their close family members.

Transactions with related parties are concluded on normal market terms and conditions.

The scope of relations (excluding transactions to be eliminated in the consolidation) with related companies and persons in 2023 and 2022 is shown in the following tables:

31 Dec.2023	Compa- nies with significant influence	Subsidi- aries	Associated companies	Persons in key positions	Other related parties
(in € million)					
<b>Assets</b>					
<b>Trading assets</b>	<b>315</b>	<b>0</b>	<b>36</b>	<b>–</b>	<b>11</b>
Derivatives	142	0	36	–	–
Debt securities and other fixed interest securities	12	–	–	–	–
Loans and advances	161	–	–	–	11
<b>Financial assets mandatorily at fair value through profit or loss</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>
Equity instruments	–	1	–	–	–
<b>Financial assets at fair value through other comprehensive income</b>	<b>657</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Debt securities and other fixed interest securities	632	–	–	–	–
Loans and advances	25	–	–	–	–
<b>Financial assets measured at amortised cost</b>	<b>1 051</b>	<b>–</b>	<b>211</b>	<b>2</b>	<b>154</b>
Loans and advances	1 051	–	211	2	154
<b>Other assets</b>	<b>90</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>2 113</b>	<b>1</b>	<b>247</b>	<b>2</b>	<b>165</b>

31 Dec.2023	Compa- nies with significant influence	Subsidi- aries	Associated companies	Persons in key positions	Other related parties
(in € million)					
<b>Liabilities</b>					
<b>Trading liabilities</b>	<b>8</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>
Derivatives	8	–	2	–	–
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>38</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>58</b>
Deposits	38	–	–	–	58
<b>Financial liabilities at amortised costs</b>	<b>596</b>	<b>23</b>	<b>230</b>	<b>1</b>	<b>290</b>
Deposits	596	23	230	1	290
<b>Total</b>	<b>642</b>	<b>23</b>	<b>232</b>	<b>1</b>	<b>348</b>
Guarantees and securities granted	0	–	1	–	19

1 Jan. - 31 Dec.2023	Companies with significant influence	Subsidiaries	Associated companies	Persons in key positions	Other related parties
(in € million)					
Interest income	87	1	11	0	3
Interest expense	- 19	- 7	- 6	- 0	- 7
Commission income	4	0	0	0	0
Commission expenses	- 27	-	-	-	-
Other income/expense	- 76	- 0	5	- 7	- 5
<b>Total</b>	<b>- 31</b>	<b>- 6</b>	<b>9</b>	<b>- 7</b>	<b>- 9</b>

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

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

1 Jan. - 31 Dec.2022	Compa- nies with significant influence	Subsidi- aries	Associated companies	Persons in key positions	Other related parties
(in € million)					
Interest income	43	-	10	-	1
Interest expense	- 18	-	- 6	-	- 4
Commission income	4	2	-	-	-
Commission expenses	- 47	-	-	-	-
Other income/expense	33	-	36	- 7	12
<b>Total</b>	<b>15</b>	<b>2</b>	<b>40</b>	<b>- 7</b>	<b>9</b>

With regard to the assumption of guarantees by the State of Lower Saxony, please refer to Note (3) Development in the guarantee portfolios in connection with the guarantee contracts of the State of Lower Saxony.

The following table shows the maximum balances for transactions between the NORD/LB Group and related parties in the reporting period and in the previous year.

	2023 (in € million)	2022 (in € million)
<b>Assets</b>		
Trading assets	445	465
Financial assets at amortised costs	1 492	1 822
Other assets	901	972
<b>Total</b>	<b>2 838</b>	<b>3 259</b>
<b>Liabilities</b>		
Trading liabilities	21	9
Financial liabilities at amortised costs	1 140	1 082
Other liabilities	96	75
<b>Total</b>	<b>1 257</b>	<b>1 166</b>
Guarantees and sureties received	10	50
Guarantees and sureties granted	22	34

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

	2023 (in € million)	2022 (in € million)
Employment-related payments due in the short term	6	6
Other long-term benefits	1	1
<b>Total remuneration</b>	<b>7</b>	<b>7</b>

The total remuneration and loans of the executive bodies in accordance with commercial law are presented in Note (74) Remuneration of and loans to governing bodies.

**(74) Remuneration of and Loans to Governing Bodies**

	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)
<b>Total emoluments paid to active members of governing bodies</b>		
Managing Board	4	4
<b>Total emoluments paid to former members of governing bodies and their dependants</b>		
Managing Board	7	5

The total remuneration of active members of the Supervisory Board amounted to € 455,000 (€ 466,000).

In the reporting year, remuneration of € 276,000 (€ 446,000) was granted, which depends on contingent future circumstances and whose commitment was made in 2021 – 2023. Commitments of € 989,000 (€ 165,000) were made in 2023 for remuneration to members of the Managing Board, which will depend on contingent future circumstances.

No advances or loans were granted to the members of the Managing Board in the reporting year under review or in the previous year. The advances and loans granted to the members of the Supervisory Board amounted to € 69,000 (€ 102,000). Of the advances and loans granted to members of the Managing Board and Supervisory Board, € 0,000 (€ 365,000) and € 34,000 (€ 37,000) were repaid in the reporting year.

There were pension obligations to former members of the Managing Board and their surviving dependants in the amount of € 108 million (€ 100 million).

**(75) Group Auditor's Fees**

(in € million)	1 Jan. - 31 Dec. 2023 (in € million)	1 Jan. - 31 Dec. 2022 (in € million)
<b>Group auditor's fees for</b>		
The statutory audit	10 <sup>2)</sup>	9
Other audit-related services	0 <sup>1)</sup>	0 <sup>1)</sup>
Other services	0 <sup>1)</sup>	0 <sup>1)</sup>

<sup>1)</sup> Other confirmation services and other services totalling less than € 0.5 million were provided in each case.

<sup>2)</sup> For the first time, the amounts for 2023 also include fees from foreign network companies of the auditor of around € 0.7 million.

In addition to the audit of the consolidated financial statements and the annual financial statements of Norddeutsche Landesbank Girozentrale as well as various audits of the annual financial statements of the subsidiaries, including statutory assignment extensions and audit priorities agreed with the Supervisory Board, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft provided the following significant permitted services in the 2023 financial year:

- Voluntary annual audits and a review of interim financial statements
- Project-accompanying review of the New Bank Management project and other IT projects
- Confirmation services based on legal or contractual obligations. This includes confirmation services for savings bank organisations and the Bank levy
- Confirmation services in connection with the audit of other reports (e.g. non-financial report, disclosure report)
- Other services as part of the restructuring support
- Other services relating to training

**(76) Equity Holdings**

The list of shareholdings covers all companies included in the consolidated financial statements, the non-consolidated subsidiaries, joint ventures and associated companies as well as other shareholdings of at least 20 per cent. The information on the companies was taken from the most recently approved annual financial statements.

Company name and registered office	Shares (%) indirect	Shares (%) direct
<b>a) Companies included in the consolidated financial statements</b>		
<b>aa) Subsidiaries included in the consolidated financial statements</b>		
BGG Bruchtorwall GmbH & Co. KG, Bremen	–	100.00
BGG Domshof 26 GmbH & Co. KG, Bremen	–	100.00
BGG Hansa-Haus GmbH & Co. KG, Bremen	–	100.00
BGG Katharina GmbH & Co. KG, Bremen	–	100.00
BGG Rathausmarkt GmbH & Co. KG, Bremen	–	100.00
BLB Immobilien GmbH, Bremen <sup>3)</sup>	–	100.00
caplantic GmbH, Hannover	–	100.00
KreditServices Nord GmbH, Braunschweig <sup>3)</sup>	–	100.00
Nieba GmbH, Hannover <sup>3)</sup>	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hannover <sup>3)</sup>	–	100.00
NORD/LB Leasing GmbH, Oldenburg <sup>3)</sup>	–	100.00
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	91.00	9.00
<b>ab) Special Purpose Entities included in the consolidated financial statements</b>		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Hannover Funding Company LLC, Dover / USA	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e.V., Hannover	–	–
<b>ac) Investment funds included in the consolidated financial statements</b>		
NORDLB, SICAV-RAIF S.C.Sp. Aviation 1, Luxemburg	–	100.00
<b>ad) Companies / investment funds accounted for in the consolidated financial statements using the equity method</b>		
<b>Associated companies</b>		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	–	32.26
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	–	22.22
Öffentliche Lebensversicherung Braunschweig, Braunschweig <sup>2)</sup>	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig <sup>2)</sup>	–	75.00

Company name and registered office	Share of capital held (in %)	Equity <sup>1)</sup> (in Tsd €)	Profit/Loss (in Tsd €)
<b>b) Companies not included in the consolidated financial statements with an equity capital of greater or equal +/-€ 1 million</b>			
finpair GmbH, Hannover	100.00	1 937	507
NBN Grundstücks- und Verwaltungs-GmbH, Hannover	100.00	1 611	- 18
NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hannover	90.00	2 667	- 6
SGK Servicegesellschaft Kreditmanagement mbH, Hannover	100.00	4 118	1 123
Skandifinanz AG, Zürich / Schweiz	100.00	2 962	- 42
<b>c) Capital share of greater or equal 20 % in companies with an equity capital of greater or equal +/- € 1 million</b>			
<b>Joint Ventures/ associated companies / other</b>			
Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode	50.00	2 200	278
Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin	21.09	17 504	153
Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg	20.44	17 216	216
CG-Terrassen GmbH & Co. KG, Göttingen	50.00	4 080	- 162
FinTech Fonds GmbH & Co. KG, Köln	39.60	8 294	- 464
Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta	20.46	14 994	658
LUNI Productions GmbH & Co. KG, Pöcking	24.29	- 114 962	- 483
Marktcarré Grundbesitz-GmbH, Oldenburg	25.00	3 064	338
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin	26.00	19 614	273
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hannover	39.82	16 815	388
NBV Beteiligungs-GmbH, Hannover	42.66	12 059	733
Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake	21.72	22 502	892

Company name and registered office	Share of capital held (in %)
<b>d) Subsidiaries not included in the consolidated financial statements with an equity capital of greater or equal +/- € 1 million</b>	
BGG Geo10 GmbH & Co. KG, Bremen	100.00
BLBI Beteiligungs-GmbH, Bremen	100.00
Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig	66.67
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100.00
Caplantic ESG Solutions GmbH, Hannover	100.00
Caplantic GP II Alternative Assets S.à.r.l., Luxemburg	100.00
caplantic GP S.a.r.l., Luxemburg / Luxemburg	100.00
Caplantic Service GmbH, Hannover	100.00
City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hannover	100.00
FL FINANZ-LEASING GmbH, Wiesbaden	58.00
LBT Holding Corporation Inc., Wilmington / USA	100.00
NORD/LB Informationstechnologie GmbH, Hannover <sup>3)</sup>	100.00
NORD/LB Project Holding Ltd., London / Großbritannien	100.00
Ricklinger Kreisel Beteiligungs GmbH, Hannover	100.00
Themis 1 Inc., Wilmington / USA	100.00
<b>e) Capital share of greater or equal 20 % in companies with an equity capital below +/- € 1 million</b>	
Braunschweig Grundstücksentwicklungsgesellschaft mbH i.L., Braunschweig	50.00
Brocken Verwaltungs- und Vermietungs-GmbH, Wernigerode	50.00
FCC (East Ayrshire) Holdings Limited, Edinburgh / Großbritannien	30.00
FinTech Fonds Management GmbH, Köln	40.00
Fire Support (SSFR) Holdings Limited, Maidenhead Berkshire, Großbritannien	15.00
GbR VÖB Immobilienanalyse, Bonn	20.00
Interessengemeinschaft Katharinenklosterhof GbR, Bremen	31.00
Linovo Productions GmbH & Co. KG i.L., Pöcking	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	28.66
PPP Services (North Ayrshire) Holdings Limited, Edinburgh / Großbritannien	20.00

## Notes:

<sup>1)</sup> Equity capital in accordance with sections 266 and 272 of the German Commercial Code less outstanding deposits.

<sup>2)</sup> This company is classified as an associate due to its structure under company law.

<sup>3)</sup> There is a profit transfer agreement with the company.

Unless otherwise noted, the data was available as at 31 December 2022.

**(77) Events after Reporting Date**

There were no significant events that occurred after the end of the financial year and were not recognised in the income statement or balance sheet.

Hanover / Brunswick / Magdeburg, 19 March 2024

Norddeutsche Landesbank Girozentrale

The Managing Board

Frischholz

Dieng

Spletter-Weiß



## Statement and Audit

Audit Opinion of the independent Group Auditor

Responsibility Statement

## Audit Opinion of the independent Group Auditor

To Norddeutsche Landesbank - Girozentrale -, Hannover, Magdeburg, Braunschweig

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

#### Audit Opinions

We have audited the consolidated financial statements of Norddeutsche Landesbank - Girozentrale -, Hannover, Magdeburg, Braunschweig, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of Norddeutsche Landesbank - Girozentrale -, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

#### *Basis for the Audit Opinions*

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### *Key Audit Matters in the Audit of the Consolidated Financial Statements*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- ① Determination of Stage 3 provisions for expected credit losses on loans and advances in the commercial lending business
- ② Determination of Stage 1 and Stage 2 provisions for expected credit losses on loans and advances in the lending business
- ③ Accounting for the merger of LBS Norddeutsche Landesbausparkasse into LBS Westdeutsche Landesbausparkasse

Our presentation of these key audit matters has been structured in each case as follows:

- ① Matter and issue
- ② Audit approach and findings
- ③ Reference to further information

Hereinafter we present the key audit matters:

- ① **Determination of Stage 3 provisions for expected credit losses on loans and advances in the commercial lending business**
  - ① In the consolidated financial statements of the Company, loans and advances to customers in the amount of € 71.5 billion (63,9 % of the total assets) are reported under the balance sheet item "Financial assets at amortized cost". As of the balance sheet date, risk provisioning on loans and advances in the loan portfolio amounted to a total of € 771 million and was attributable to loans with an impaired credit rating (so-called Stage 3 provisions for losses on loans and advances) with a total of € 317 million that was largely determined by the commercial customer lending business. The measurement of the risk provision for loans and advances to commercial customers is determined in particular by the structure and quality of the loan portfolios, macroeconomic factors, and the estimates of the legal representatives with regard to future cash flows, among other things in light of the expected impact of the current macroeconomic conditions on the commercial customer lending business. The current crisis on the real estate market and its effects on commercial real estate loans were of particular importance. The amount of the Stage 3 risk provisions for loans and advances to commercial customers corresponds to the difference between the outstanding loan amount and the present value of the expected cash flows from the loan commitment. Existing collateral is taken into account. Stage 3 risk provisions for loans and advances to commercial customers are measured on the basis of probability-weighted scenarios, which also take into account the impact of macroeconomic factors on cash flows. The determination of the number and content of scenarios, the estimation of the probability of occurrence and the derivation of expected cash flows in the respective scenario imply considerable judgement on the part of the legal representatives. In

addition, the amount of the risk provisions in the commercial customer lending business is highly significant for the net assets and the financial performance of the Company. Against this background, this matter was of particular importance in our audit.

- ② As part of our audit, we first assessed the design of the relevant internal control system of the Company. In doing so, we considered the business organization, the IT systems and the relevant valuation models. In addition, we assessed the valuation of commercial customer loans and advances, including the appropriateness of estimated values, on the basis of samples of credit exposures. In doing so, we evaluated, among other things, the Company's available documentation regarding the financial situation and the recoverability of the related collateral. In the case of collaterals for which the Company has provided us with valuation reports, we obtained an understanding of the underlying data, the valuation parameters applied and the assumptions made, critically evaluated these and assessed whether they were within a reasonable range. In addition, we evaluated the calculation models used by the Company and the underlying assumptions and parameters in order to assess the Stage 3 allowance for credit losses. In particular, we also evaluated the assessment of the legal representatives regarding the impact of the current macroeconomic conditions on the financial situation of the borrowers and the recoverability of the corresponding collateral, and understood how this was taken into account in the measurement of the loans and advances from customers. We paid particular attention to the commercial real estate lending business. On the basis of the audit procedures we performed, we were able to come to the conclusion that overall the assumptions made by the legal representatives when testing the recoverability of the commercial loan portfolio were reasonable and that the controls implemented by the Company were appropriate and effective.
- ③ The Company's disclosures on the risk provisions for loans and advances to customers are included in note (12) "Risk Provisioning" and note (56) "Risk Provisions and Gross Carrying Amount" of the notes to the consolidated financial statements.

**② Determination of Stage 1 and Stage 2 provisions for expected credit losses on loans and advances in the lending business**

- ① Portfolio loan loss allowances totaling € 455 million have been recognized for foreseeable counterparty risks in the customer lending business that have not yet been specifically identified for individual borrowers in Stages 1 and 2 of the IFRS 9 risk provisioning model. For this purpose, portfolio loan loss allowances are recognized in the amount of the expected loss for a period of twelve months for loans that are not individually impaired, unless the credit default risk has increased significantly since initial recognition. In this case, a portfolio loan loss allowance is recognized for loans that are not individually impaired for the expected losses of the loans concerned over the remaining term. In order to take into account the existing uncertainties as a result of the current macroeconomic conditions, in particular the developments on the commercial real estate market, and the expectations of the legal representatives in this context that are not yet covered by the models, the Company has recognized a so-called management adjustment in the amount of € 289 million in the risk provisioning for loans and advances for certain sub-segments. The portfolio loan loss allowances for loans and advances in the customer lending business are highly significant for the net assets and the financial performance of the Company in terms of their amount and are also subject to considerable judgement on the part of the legal representatives. In addition, the valuation parameters applied, which are also subject to significant uncertainties due to the effects of the current macroeconomic conditions, in particular the developments on the

commercial real estate market, have a significant influence on the amount of any portfolio loan loss allowances that may be required. Against this background, this matter was of particular importance in the context of our audit.

- ② As part of our audit, we first assessed the design of the relevant internal control system of the Company with reference to the recognition of portfolio loan loss provisions. In particular, we considered the processes for recording business data, risk classification of borrowers, determination of portfolio loan loss provisions and validation of the valuation models. Furthermore, in order to assess the general loan loss provisions made, we traced and assessed, among other things, the valuation models used by the Company, the underlying input data, macroeconomic assumptions and parameters, as well as the results of the validation procedures, also with the involvement of our specialists in the field of financial mathematics. We analysed the necessity of the management adjustment, taking into account the effects of the current macroeconomic conditions, in particular the developments on the commercial real estate market, and traced its calculation in terms of its amount. On the basis of our audit procedures, we were able to come to the conclusion that overall the assumptions made by the legal representatives in determining the portfolio-based allowances and the management adjustment were reasonable, and that the controls implemented by the Company were appropriate and effective.
- ③ The Company's disclosures regarding the Stage 1 and Stage 2 allowance for credit losses in the customer lending business are included in note (2) "Management Adjustment", note (12) "Risk Provisioning" and note (56) "Risk Provisions and Gross Carrying Amount" of the notes to consolidated financial statements.

### ③ Accounting for the merger of LBS Norddeutsche Landesbausparkasse into LBS Westdeutsche Landesbausparkasse

- ① As at 31 August 2023, LBS Norddeutsche Landesbausparkasse (“LBS Nord”), in which NORD/LB previously held a 44.0 % stake, was merged as the transferring legal entity with LBS Westdeutsche Landesbausparkasse as the acquiring legal entity. NORD/LB holds a 14.43 % stake in the newly created LBS Landesbausparkasse NordWest (“LBS NordWest”). When the merger took effect 31 August 2023, NORD/LB derecognised the investment in LBS Nord and reclassified the cumulative gains and losses previously recognised in other comprehensive income, which would have been reclassified to profit or loss if the associated assets or liabilities had been sold, from equity to profit or loss and recognised the investment in LBS NordWest at fair value. At the time of the merger, this resulted in a merger gain of € 109 million. The investment in LBS NordWest were classified as financial instruments at fair value through profit or loss. As at 31 December 2023, their fair value had risen further due to the planned increase in earnings and higher profitability levels. The fair value of the investment in LBS NordWest is determined both as at 31 August 2023 and 31 December 2023 as the present value of the expected future cash flows based on the planning calculation prepared by LBS NordWest using a discounted cash flow model. In each case, expectations regarding future market developments and assumptions regarding the development of macroeconomic factors influencing LBS NordWest are also taken into account. Discounting is carried out using the individually calculated cost of capital. The result of this valuation depends to a large extent on how the legal representatives assess the future cash flows of LBS NordWest, as well as on the discount rate and growth rate used. The valuation is therefore subject to significant uncertainties. Against this background and due to the high complexity of the valuation and its material significance for the Group's results of operations, this matter was of particular significance in the context of our audit.
- ② As part of our audit, we assessed, among other things, the classification of the investment in LBS NordWest as financial instruments to be measured at fair value through profit or loss and evaluated the valuation methodology both as at the merger date of 31 August 2023 and as at the reporting date of 31 December 2023 with the involvement of our own valuation experts. In particular, we assessed whether the fair value of LBS NordWest was appropriately determined using a discounted cash flow model in accordance with the relevant valuation standards. In doing so, we relied, among other things, on a comparison with general and industry-specific market expectations and on explanations provided by the legal representatives on the key value drivers underlying the expected cash flows. In the knowledge that even relatively small changes in the discount rate used can have a material impact on the fair value, we have analysed the parameters used to determine the discount rate applied and have reproduced the calculation scheme mathematically. Taking into account the information available, we consider the valuation parameters applied by the legal representatives and the underlying valuation assumptions to be appropriate overall for the valuation of the investment in LBS NordWest.
- ③ The company's disclosures on investments in companies and their measurement are included in note (11) “Financial instruments”, subsection “g) Measurement of equity investments not falling under IFRS 10, IFRS 11 or IAS 28”, in note (40) “Shares in companies” and in note (54) “Fair value hierarchy” of the notes to the consolidated financial statements. The effects on profit or loss from the merger or subsequent measurement are explained in Note (28) “Profit/loss from shares in companies” and Note (31) “Other operating profit/loss”.

### *Other Information*

The executive directors are responsible for the other information.

The other information comprises

- the separate non-financial report to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB
- the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

### *Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report*

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with

IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

#### **OTHER LEGAL AND REGULATORY REQUIREMENTS**

##### ***Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB***

###### *Assurance Opinion*

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file nordlb-KA+LB-2023-12-31-de.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all

material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

#### *Basis for the Assurance Opinion*

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

#### *Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents*

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

#### *Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents*

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

***Further Information pursuant to Article 10 of the EU Audit Regulation***

We were elected as group auditor by the owners' meeting on 26 April 2023. We were engaged by the supervisory board on 3 August 2023. We have been the group auditor of the Norddeutsche Landesbank - Girozentrale -, Hannover, Magdeburg, Braunschweig, without interruption since the financial year 2021.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

***REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR'S REPORT***

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

***GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT***

The German Public Auditor responsible for the engagement is Anne Witt.

Hannover, 22 March 2024

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Anne Witt  
Wirtschaftsprüferin  
[German Public Auditor]

ppa. Mirko Braun  
Wirtschaftsprüfer  
[German Public Auditor]



## Responsibility Statement by the legal Representatives

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the financial position and financial performance and profit or loss of the NORD/LB Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hanover / Brunswick / Magdeburg, 19 March 2024  
Norddeutsche Landesbank Girozentrale

The Managing Board

Frischholz

Dieng

Spletter-Weiß



## Further Information

Country-by-Country-Reporting in accordance with §26a of the German Banking Act

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## Country-by-Country-Reporting in accordance with §26a of the German Banking Act as at 31 December 2023

The requirement for country-by-country reporting contained in Article 89 of EU Directive 2013/36/EU (Capital Requirements Directive, CRD IV) has been transposed into German law by the German Banking Act (KWG). This report presents on an unconsolidated basis the revenues incurred, the number of employees, the profit or loss before tax, the taxes on profit or loss and the public aid received per EU member state and from third countries, for companies included in the IFRS consolidated financial statements by way of full consolidation. Revenue includes earnings before taxes included in the consolidated financial statements in accordance with IFRS, before taking into account consolidation effects, before risk provisions and administrative expenses, and without taking into account other operating expenses. The number of employees is determined by the average number of employees during the reporting period. The profit or loss before income taxes and the taxes on profit or loss are disclosed before taking into account consolidation effects. Taxes on profit or loss result from current and deferred tax expenses and income. The NORD/LB Group has not received any public aid as part of the EU aid procedure.

	Number of employees	Turnover (in € million)	Profit/loss before tax (in € million)	Taxes on profits and losses (in € million)	Received public aids
Germany	3 629	1 112	27	- 23	-
Great Britain	92	98	61	- 17	-
Luxembourg	120	111	54	- 1	-
Singapore	59	27	12	- 4	-
USA	80	98	35	- 4	-

	Type of activity	Country	Location
BGG Bruchtorwall GmbH & Co. KG	Other company	Germany	Bremen
BGG Domshof 26 GmbH & Co. KG	Other company	Germany	Bremen
BGG Hansa-Haus GmbH & Co. KG	Other company	Germany	Bremen
BGG Katharina GmbH & Co. KG	Other company	Germany	Bremen
BGG Rathausmarkt GmbH & Co. KG	Other company	Germany	Bremen
BLB Immobilien GmbH	Other company	Germany	Bremen
caplantic GmbH	Financial services institution	Germany	Hanover
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Provider of ancillary service	Germany	Pullach i. Isartal
Hannover Funding Company LLC	Finance company	USA	Dover
KreditServices Nord GmbH	Provider of ancillary service	Germany	Braunschweig
Nieba GmbH	Finance company	Germany	Hanover
Norddeutsche Landesbank Girozentrale	Bank	Germany	Hanover
Norddeutsche Landesbank Girozentrale Niederlassung London	Bank	United Kingdom	London
Norddeutsche Landesbank Girozentrale Niederlassung New York	Bank	USA	New York
Norddeutsche Landesbank Girozentrale Niederlassung Singapur	Bank	Singapore	Singapore
NORD/FM Norddeutsche Facility Management GmbH	Provider of ancillary service	Germany	Hanover
NORD/LB Leasing GmbH	Provider of ancillary service	Germany	Oldenburg
NORD/LB Luxembourg S.A. Covered Bond Bank	Bank	Luxemburg	Luxemburg-Findel
NORD/LB Objekt Magdeburg GmbH & Co. KG	Provider of ancillary service	Germany	Pullach i. Isartal
NORD/LB, SICAV-RAIF S.C.Sp. - Aviation 1	Other company	Luxemburg	Luxemburg
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG	Other company	Germany	Bremen
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG	Other company	Germany	Bremen
Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig	Other company	Germany	Hanover

The average return on investment is 0.2 per cent. This resulted from the profit after tax and the total assets of the IFRS consolidated financial statements as at 31 December 2023.

## Comments to Corporate Governance Report

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

Due to its legal validity for listed limited liability companies, the Code is not legally binding for NORD/LB as a credit institution in the legal form of an institution under public law. However, NORD/LB, which operates nationally and internationally, is committed to positioning itself as a reliable and trustworthy partner in the market. Transparent corporate governance is an essential aspect of this aspiration for us. For this reason, the Bank decided to make a voluntary commitment based on the principles, recommendations and suggestions.

The detailed corporate governance report is available online at:

[www.nordlb.de/rechtliches/rechtliche-hinweise/corporate-governance/](http://www.nordlb.de/rechtliches/rechtliche-hinweise/corporate-governance/)

## Forward-looking Statements

This report contains forward-looking statements. They can be recognised in terms such as "expect", "intend", "plan", "endeavour" and "estimate" and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence our business and are beyond our control. These include, in particular, the performance of financial markets and changes in interest rates and market prices. Actual results and developments may therefore differ considerably from the assumptions made in the report. NORD/LB accepts no responsibility for the forward-looking statements and nor does it intend to update or correct them if developments materialise that are different than those expected.

## Facts and Figures

(As at 31 December 2023)

### Established

Merger to form Norddeutsche Landesbank Girozentrale on 1 July 1970

### Predecessor institutions

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

Hannoversche Landeskreditanstalt (founded in 1840)

Niedersächsische Wohnungskreditanstalt Stadt-schaft (founded in 1918)

### Legal basis

State Treaty of 6 December 2019 between the State of Lower Saxony, the State of Saxony-Anhalt and the State of Mecklenburg-Western Pomerania concerning Norddeutsche Landesbank Girozentrale entered into force on 10 December 2019.

Articles of association of Norddeutsche Landesbank Girozentrale in accordance with the resolution of the Owners' Meeting of 18 December 2023. These Articles of Association entered into force on 31 December 2023.

### Legal form

Public-law institution with legal capacity

### Ownership

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

### Bodies

Managing Board  
Supervisory Board  
Owners' Meeting

### Supervision

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

### Managing Board

Jörg Frischholz (Chairman)  
(Chief Executive Officer)

Christoph Dieng  
(Chief Risk Officer)

Christoph Schulz  
(Chief Clients/Products Officer)

Olof Seidel  
(Chief Financial Officer/Chief Operating Officer)

Ingrid Spletter-Weiß  
(Chief Clients/Products Officer)

### Bank Headquarters

Hannover (head office)  
Friedrichswall 10  
30159 Hanover

Braunschweig  
Friedrich-Wilhelm-Platz  
38100 Braunschweig

Magdeburg  
Domplatz 10  
39104 Magdeburg

**Promotional banks**

Landesförderinstitut Mecklenburg-Vorpommern  
Werkstrasse 213  
19061 Schwerin

**Branches**

Hanover branch  
Georgsplatz 1  
30159 Hanover

Bremen branch  
Domshof 26  
28195 Bremen

Düsseldorf branch  
Königsallee 63–65  
40215 Düsseldorf

Hamburg branch  
Brodschranzen 4  
20457 Hamburg

Munich Branch  
Maximiliansplatz 14  
80333 Munich

Oldenburg branch  
Markt 12  
26122 Oldenburg

Schwerin branch  
Graf-Schack-Allee 10A  
19053 Schwerin

**Subsidiaries abroad (alphabetical)**

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

NORD/LB New York  
505 Fifth Avenue  
7<sup>th</sup> Floor,  
New York, NY 10017  
USA

NORD/LB Singapore  
CapitaGreen  
138 Market Street  
# 36–03  
Singapore 048946

**Branches of Braunschweigische Landesspar-  
kasse**

[www.blsk.de](http://www.blsk.de)

**Supervisory Board of Norddeutsche Landesbank**

(The current status of the members of the Supervisory Board can be found on the **NORD/LB** homepage: [www.nordlb.de/die-nordlb/gremien-und-organe](http://www.nordlb.de/die-nordlb/gremien-und-organe))

*Chairman*

Reinhold Hilbers  
Minister  
Lower Saxony Ministry of Finance

*1st Deputy Chairman*

Herbert Hans Grüntker  
FIDES Delta GmbH

*2nd Deputy Chairman*

Thomas Mang  
President  
Sparkassenverband, Lower Saxony

*Members*

Bernd Brummermann  
Chairman  
OstseeSparkasse Rostock

Edda Döpke  
Bank employee  
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Doods  
Secretary of State  
Lower Saxony Ministry for Economic Affairs,  
Transport, Building and Digitalisation

Jutta Echterhoff-Beeke  
Managing partner  
Echterhoff Holding GmbH

Dr Jürgen Fox  
CEO  
Saalesparkasse  
  
Nana Geisler  
Bank employee  
NORD/LB Norddeutsche Landesbank Girozentrale

Cornelia Günther  
Trade Union Secretary  
ver.di Hanover district

Hermann Kasten

Prof. Dr Susanne Knorre  
Management Consultant

Ulrich Markurth

Frank Oppermann  
Bank employee  
NORD/LB Norddeutsche Landesbank Girozentrale

Jörg Reinbrecht

Michael Richter  
Minister  
Ministry of Finance Saxony-Anhalt

Jörg Walde  
Bank employee  
NORD/LB Norddeutsche Landesbank Girozentrale

Matthias Wargers  
FIDES Gamma GmbH

**Owners' Meeting***Chairman*

Reinhold Hilbers

Minister

Lower Saxony Ministry of Finance

*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 Councillor

Ministry of Finance of Lower Saxony

Dr Anne Deter

Ministerial Director

Ministry of Finance of Lower Saxony

Birgit Diers

Ministerial Councillor

Ministry of Finance of Lower Saxony

Marion Schecht

Government Councillor

Ministry of Finance of Lower Saxony

Sabine Tegtmeyer-Dette

State Secretary

Ministry of Finance of Lower Saxony

*State of Saxony-Anhalt*

Sebastian Beier

Government Director

Ministry of Finance of the State of Saxony-Anhalt

Michael Richter

Minister

Ministry of Finance Saxony-Anhalt

*Sparkassenbeteiligungsverband Sachsen-Anhalt*

Markus Bauer

District Chief Executive

Salzlandkreis

Dr Jürgen Fox

CEO

Saalesparkasse

*Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern*

Dr-Ing. Alexander Badrow

Mayor

Hanseatic City of Stralsund

Bernd Brummermann

Chairman

OstseeSparkasse Rostock

*Sparkassenverband Niedersachsen*

Johannes Hartig

Chairman

Sparkasse Osnabrück

*FIDES Gamma GmbH*

Götz Bormann

Chairman

FördeSparkasse

Matthias Wargers

FIDES Gamma GmbH

*FIDES Delta GmbH*

Herbert Hans Grüntker

FIDES Delta GmbH

## Report of Supervisory Board

During the reporting year, the Bank's Managing Board regularly informed the Supervisory Board and the committees it appointed about the business development and the situation of NORD/LB AöR and the Group. The Supervisory Board and its committees have passed resolutions on the business transactions submitted to them and other matters that require a decision by the committees in accordance with their by-laws and the additionally adopted regulations.

The Supervisory Board also dealt in detail with NORD/LB AöR's business, ESG and risk strategy. For example, policy issues for the coming years were discussed in detail at several meetings and, in particular, advice was given on the new bank management system through the "fit" programme. In addition, the committee dealt with the supervisory requirements for the work of the Supervisory Board and the restructuring of the Corporate Customers & Association division.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of NORD/LB AöR and the consolidated financial statements of NORD/LB for the 2023 reporting year and issued an unqualified audit opinion in each case. In addition, the auditor took part in the Annual Financial Statements Meeting of the Supervisory Board on 29 April 2024 and reported on the results of the audit of the annual financial statements.

At its meeting on 29 April 2024, 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 2023 reporting year. Furthermore, the Supervisory Board proposed that the Owners' Meeting resolve that there were no objections with regard to the combined management report.

Furthermore, the Supervisory Board recommended that the Owners' Meeting discharge the Managing Board.

The following resigned from the Supervisory Board:

as at 31 December 2023	Ms Edda Döpke
as at 31 December 2023	Mr Frank Oppermann
as at 31 December 2023	Mr Jörg Walde

No new members were appointed to the Supervisory Board in 2023.

The Supervisory Board would like to thank the Bank's Managing Board for the trusting cooperation and to express its appreciation to the Bank and all its employees for the work carried out in 2023.

Hanover / Brunswick / Magdeburg

April 2024

Gerald Heere

Finance Minister

State of Lower Saxony

## Report of the Owners' Meeting

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

Furthermore, in its meetings in 2023, the Owners' Meeting dealt with the NORD/LB 2024 transformation process, discussed the NORD/LB Group's planning for 2024 – 2028 and discussed and decided on 16 June 2023 on the new approach to bank management through the "fit" programme and its implementation in a phase model.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft audited the annual financial statements of NORD/LB AöR and the consolidated financial statements of NORD/LB for the 2023 reporting year and issued an unqualified audit opinion. In addition, the auditor took part in the annual financial statement meeting of the Owners' Meeting on 29 April 2024 and reported on the results of the audit of the annual financial statements.

At its meeting on 29 April 2024, the Owners' Meeting adopted NORD/LB AöR's annual financial statements for the 2023 reporting year and approved NORD/LB's consolidated financial statements following a proposal from the Supervisory Board. Furthermore, the Owners' Meeting resolved that there were no objections to the combined management report.

The Owners' Meeting granted discharge to the Managing Board and the Supervisory Board.

The following resigned from the Owners' Meeting:

as at 31 March 2023      Mr Ludwig Momann  
as at 31 December 2023      Mr Helmut Schleweis

Newly appointed to the Owners' Meeting:

as at 1 April 2023      Mr Johannes Hartig

The Owners' Meeting would like to thank the Supervisory Board, the Managing Board and the Bank's employees for their work in 2023.

Hanover / Brunswick / Magdeburg

April 2024

Gerald Heere

Finance Minister

State of Lower Saxony

# NORD/LB

Our annual and interim reports are available for download at [www.nordlb.de/reports](http://www.nordlb.de/reports).

For questions about the reports, please contact our Investor Relations department.  
Email: [ir@nordlb.de](mailto:ir@nordlb.de)

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## **Branches (including Braunschweigische Landessparkasse)**

Bad Harzburg	Braunschweig	Bremen
Düsseldorf	Hamburg	Helmstedt
Holzminden	Magdeburg	Munich
Oldenburg	Salzgitter	Schwerin
Seesen	Wolfenbüttel	

In total, there are over 100 branches and self-service centres in the business territory covered by Braunschweigische Landessparkasse.  
Details can be found at <https://www.blsk.de>

## **Foreign branches**

London, New York, Singapore