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Girozentrale**

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## NORD/LB: Restructuring of the bank on track

- > **Special effects burden earnings in the first quarter**
- > **Net interest income rose, administrative expenses continue to fall**
- > **Corona pandemic will have a significant impact on annual results**

In the first quarter of 2020 NORD/LB Norddeutsche Landesbank achieved a loss before taxes of 65 million euros. The consolidated loss is minus 71 million euros. The decisive factors for the negative result were the accounting of the bank levy for the full year 2020, fees for portfolio guarantees and valuation effects in the course of the Corona pandemic. In the first three months of the previous year, the bank had generated a pre-tax profit of EUR 65 million.

"We have so far managed the Corona crisis well in operative terms," said Thomas Bürkle, Chairman of the Board of Management of NORD/LB.

"Apart from some fair-value effects, the crisis has not yet been reflected in our figures for the first quarter. However, it is very likely that it will still have a considerable negative impact on earnings for us as well. However, it is still too early for a more concrete forecast."

"Our new business is doing well. At present, however, we are focusing above all on supporting our clients in this difficult situation. Many areas of the Bank are working at full capacity to advise customers on questions regarding promotional and aid programmes," said Bürkle.

Within the scope of the Corona pandemic, NORD/LB has so far processed around 2,250 applications for state promotional credits with a volume of around EUR 1.6 billion, either directly or in cooperation with savings banks.

"The roadmap for the transformation of the bank has not changed due to the exceptional situation of the last weeks", Bürkle continued. "Our costs have fallen again in the first quarter. It is also becoming more and more evident that we can implement the planned staff reduction completely with voluntary measures. As already announced, the restructuring of the

bank and investments in new IT systems will have a further negative impact on earnings in 2020." NORD/LB intends to reduce its workforce from 5,300 employees at present to 2,800 employees by the end of 2023.

### **Income statement for the first three months of 2020**

Despite a continued reduction of total assets and a still low interest-rate level, **net interest income** increased by 5 per cent to 271 million euros in the first quarter (previous year quarter: 258 million euros). **Net commission income** amounted to minus 19 million euros (34 million euros), which was mainly due to fees for financial guarantees of the State of Lower Saxony that were incurred for the first time in the amount of 52 million euros.

With a net release of EUR 37 million, the **risk provisioning result** is at the same level as the previous year (plus EUR 38 million). The reduction of the ship financing portfolio again had a positive effect. The real-economic effects of the Corona pandemic have not yet been reflected here. The **fair-value result** of minus EUR 45 million is, among other things, influenced by the change in credit spreads in connection with the corona pandemic.

**Administrative expenses** were again significantly reduced in the first quarter and amounted to only 239 million euros, a decline of 10 per cent on the previous year's figure. Both staff expenses and other administrative expenses declined.

**Other operating income** of minus 55 million euros (minus 41 million euros) was mainly influenced by the bank levy and payments into deposit insurance in the total amount of 66 million euros. **Restructuring and reorganisation expenses** in connection with the ongoing realignment amounted to minus 8 million euros (minus 10 million euros) in the first quarter of 2020. A significant increase in this item is planned for the further course of the year.

The common equity tier 1 **capital ratio** (CET1) was 13.3% at the end of March 2020 (31 Dec 2019: 14.5%), the total capital ratio was 19.1% (20.8%). The decline compared with the end of 2019 is mainly due to an increase in risk-weighted assets (RWA) in the denominator of the ratio, which in turn is due to the scheduled termination of securitisation transactions to reduce RWA and regulatory changes. The **bank's total assets**, on the

other hand, continued to decline and now stand at EUR 136.4 billion. (31 Dec 2019: 139.6 billion euros).

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**About NORD/LB**

NORD/LB Norddeutsche Landesbank is one of the leading German commercial banks. The core business segments include business with corporate customers, private and commercial customers including private banking as well as special finance in the energy and infrastructure sector, aircraft finance and commercial real estate finance. The bank is headquartered in Hanover, Brunswick and Magdeburg and has branches in Bremen, Oldenburg, Hamburg, Schwerin, Düsseldorf, Munich and Stuttgart. Outside Germany NORD/LB is represented by a Pfandbrief Bank (NORD/LB Covered Bond Bank) in Luxembourg and branches in London, New York, Singapore and Shanghai.

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## IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST THREE MONTHS OF 2020

INCOME STATEMENT (IFRS in € million)	1.1.-31.03. 2020	1.1.-31.03. 2019	Change in € million	Change in %
Net interest income	271	258	13	5
Risk provisioning	37	38	-1	-3
Net commission income	-19	34	-53	> 100
Profit/loss at fair value (including hedge accounting)	-50	43	93	> 100
Result from financial instruments not measured at fair value through profit/loss	-7	-2	-5	> 100
Profit/loss from shares in companies	1	0	1	-
Profit/loss from investments accounted for using the equity method	4	10	-6	-60
Administrative expenses (-)	239	265	-26	-10
Other operating profit/loss	-55	-41	-14	34
<b>Earnings before restructuring, reorganisation and taxes</b>	<b>-57</b>	<b>75</b>	<b>-132</b>	<b>&gt; 100</b>
Expenses for restructuring and reorganisation	8	10	-2	-20
<b>Earnings before taxes (EBT)</b>	<b>-65</b>	<b>65</b>	<b>-130</b>	<b>&gt; 100</b>
Income taxes (-)	6	11	-5	-45
<b>Consolidated profit</b>	<b>-71</b>	<b>54</b>	<b>-125</b>	<b>-34</b>

BALANCE SHEET FIGURES (IFRS in € million)	31.03. 2020	31.12. 2019	Change in € million	Change in %
Total assets	136 406	139 619	-3 213	-2
Reported equity	5 854	5 838	16	0

REGULATORY RATIOS (CRR / CRD IV / IFRS)	31.03. 2020	31.12. 2019	Change in € million	Change in %
Common equity tier 1 capital (in € million)	5 594	5 792	-198	-3
Regulatory capital (in € million)	8 037	8 270	-233	-3
Total risk exposure (in € million)	42 123	39 841	2 282	6
CET1 capital ratio, in %	13,3	14,5		
Total capital ratio, in %	19,1	20,8		
Common equity tier 1 capital ratio <sup>1</sup> (fully loaded, in %)	13,2	14,5		
Total regulatory capital ratio <sup>2</sup> (fully loaded, in %)	19,0	20,7		
Leverage ratio (in %)	4,0	4,1		

<sup>1</sup> CET1 capital ratio; <sup>2</sup> Total regulatory capital ratio