

**Norddeutsche Landesbank
Girozentrale**

Corporate Communications
Friedrichswall 10
D – 30159 Hannover
Germany

presse@nordlb.de
www.nordlb.com

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NORD/LB with balanced half-year result

- > **Rising net interest income, general administrative expenses decline further**
- > **Increased risk provisioning against the background of possible corona effects**
- > **Transformation of the Bank continued as planned**
- > **Corona pandemic makes the outlook difficult**

In the first half of 2020, NORD/LB achieved earnings before taxes of 6 million euros. Consolidated net income after taxes was 4 million euros. After a negative result in the first quarter, the bank returned to the profit zone in the middle of the year. Last year, the half-year result before taxes was 180 million euros.

The first half of the year was mainly characterised by the management of the Corona pandemic. "So far we have come through this crisis in a orderly fashion. As a precautionary measure, however, we have nevertheless significantly increased our risk provisioning in order to be prepared for possible defaults. At the moment, however, the immediate effects are very clear. We can also be satisfied with our new business. Especially in our Structured Finance segment as well as in the Corporate Clients segment, we are making very strong progress," said Thomas Bürkle, Chairman of the Managing Board of NORD/LB. "We are in close contact with our customers and continue to observe the developments very closely", continued Bürkle.

So far, NORD/LB has processed around 2,750 applications for state development loans with a volume of around 1.8 billion euros, either directly or together with savings banks, in the context of the Corona pandemic. Of the applications submitted, around 2,150 applications had been paid out by 30 June 2020.

Irrespective of the corona pandemic, NORD/LB is continuing its restructuring as planned. In the course of the transformation programme NORD/LB 2024, around 500 million euros will be invested in the coming years in new IT systems and the expansion of digitisation. At the same time, costs are to be reduced to 625 million euros per year in the coming years. The Bank will also be significantly downsized. The balance sheet

total is to be reduced to 95 billion euros by 2024. At the same time, the workforce will also be reduced from the current level of around 5,000 employees to 2,800 by the end of 2023. The reduction in staff will be entirely on a voluntary basis.

Income statement for the first half-year of 2020

In the first half of the year, **net interest income** increased by 9 per cent on the year to 543 million euros (496 million euros). **Net commission income** amounted to minus 27 million euros at mid-year and was thus significantly below the previous year's figure (50 million euros). The commission income was burdened above all by fees for the guarantee from the State of Lower Saxony, which amounted to a total of 95 million euros in the first two quarters.

Risk provisioning was minus 99 million euros (minus 1 million euro) at mid-2020. Compared to the previous year, risk provisions were thus increased significantly, in particular to cover possible defaults due to the corona pandemic at an early stage. However, due to the high quality of the loan portfolio, the actual impact on risk provisioning has so far been marginal.

The Bank benefited from a positive **fair-value result** (including hedge accounting) of 157 million euros (209 million euros) in the first half of the year. While the change in credit spreads in connection with the Corona pandemic had a negative impact, positive valuation effects in connection with the guarantee from Lower Saxony and a positive foreign-exchange result in particular had a compensatory effect.

Administrative expenses fell to 462 million euros in the first half of the year. This corresponds to a decrease of 5 per cent compared to the previous year's figure (487 million euros). Accompanied by the cost-cutting measures from the transformation programme, both staff expenses and other administrative expenses would have declined again.

Other comprehensive income of minus 68 million euros (minus 39 million euros) was primarily influenced by the bank levy and payments into the EU deposit guarantee scheme in the total amount of 77 million euros. The **restructuring and transformation expenses** are primarily due to the ongoing restructuring of the bank. It amounted to 25 million euros (71 million euros) in the first two quarters. A significant increase in this item is planned for the remainder of the year.

The common equity tier 1 **capital ratio** (CET 1) was 13.6 per cent at the end of June 2020 (31 December 2019: 14.5 per cent), the total capital ratio was 19.4 per cent (31 December 2019: 20.8 per cent). The **bank's total assets** continued to decline as planned and now stand at 133.5 billion euros (31 December 2019: 139.6 billion euros).

"In the second half of the year we will continue to be concerned about the economic consequences of the corona pandemic. The pandemic will have a noticeable impact on our earnings. Irrespective of this, however, we will continue to push ahead with the restructuring of NORD/LB and invest in the future of the Bank. This also means, however, that we will presumably close the year 2020 with a negative result", said Thomas Bürkle.

Contact: Mario Gruppe, Tel. 051 1 361 9934, mario.gruppe@nordlb.de

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 HALF-YEAR OF 2020

INCOME STATEMENT (IFRS in € million)	1.1.-30.06. 2020	1.1.-30.06. 2019	Change in € million	Change in %
Net interest income	543	496	47	9
Risk provisioning	-99	-1	-98	> 100
Net commission income	-27	50	-77	> 100
Profit/loss at fair value (including hedge accounting)	157	209	-52	-33
Result from financial instruments not measured at fair value through profit/loss	-14	-10	-4	40
Profit/loss from shares in companies	-6	13	-19	> 100
Profit/loss from investments accounted for using the equity method	7	20	-13	-65
Administrative expenses (-)	462	487	-25	-5
Other operating profit/loss	-68	-39	-29	74
Earnings before restructuring, reorganisation and taxes	31	251	-220	-88
Expenses for restructuring and reorganisation	25	71	-46	-65
Earnings before taxes (EBT)	6	180	-174	-97
Income taxes (-)	2	31	-29	-94
Consolidated profit	4	149	-145	-97

BALANCE SHEET FIGURES (IFRS in € million)	30.06. 2020	31.12. 2019	Change in € million	Change in %
Total assets	133 527	139 619	-6 092	-4
Reported equity	5 939	5 838	101	2

REGULATORY RATIOS (CRR / CRD IV / IFRS)	30.06. 2020	31.12. 2019	Change in € million	Change in %
Common equity tier 1 capital (in € million)	5 662	5 792	-130	-2
Regulatory capital (in € million)	8 052	8 270	-218	-3
Total risk exposure (in € million)	41 592	39 841	1 751	4
CET1 capital ratio, in %	13,6	14,5		
Total capital ratio, in %	19,4	20,8		
Common equity tier 1 capital ratio ¹ (fully loaded, in %)	13,6	14,5		
Total regulatory capital ratio ² (fully loaded, in %)	19,3	20,7		
Leverage ratio (in %)	4,2	4,1		

¹ CET1 capital ratio; ² Total regulatory capital ratio