

**Norddeutsche Landesbank
Girozentrale**

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NORD/LB increases risk provisioning and continues restructuring of the bank

- > **Risk provisioning further increased in order to be prepared for possible covid-19 effects**
- > **Consolidated profit fall to minus 74 million euros**
- > **Transformation process proceeding according to plan, costs already significantly reduced**
- > **Negative annual result expected**

In the first nine months of 2020, NORD/LB achieved a consolidated profit of minus € 74 million. In the same period of the previous year, the Group's EBT amounted to € 215 million. NORD/LB again significantly increased its risk provisioning in the third quarter in order to be prepared for the real economic effects of the Corona pandemic.

"In all probability, the corona pandemic will lead to the sharpest decline in economic output since many decades. We have countered this and once again substantially increased our risk provisioning. However, thanks to the high quality of our loan portfolio, the actual impact has so far been manageable", said Thomas Bürkle, Chairman of the NORD/LB.

Despite the burdens of the corona pandemic, NORD/LB was again successful in acquiring new business in the current year. As one of the leading German banks in the field of renewable energies, the bank recently participated in the financing of Australia's largest solar park.

"In addition, we are continuing to focus on restructuring the bank and are sticking to the transformation towards a smaller, leaner and more powerful NORD/LB", says Thomas Bürkle. "We have already been able to reduce our costs significantly and will continue to pursue this path consistently. In doing so, we are also counting on new digitisation initiatives." The number of employees in the Group is to be reduced to 2,800 by the end of 2023. The corresponding agreements have been fully signed in the meantime. In the course of the year to date, the number of employees has already fallen by about 400 to 4,900.

Income statement for the first nine months of 2020

The **balance sheet total** of the NORD/LB Group has continued to decline as planned in the course of the year to date. As at 30 September 2020, it amounted to € 128.9 billion (end of 2019: € 139.6 billion). Total assets have thus been reduced by around 8 per cent since the beginning of the year. The gradual reduction of the balance sheet total will continue in the coming years.

Net interest income increased slightly in the first three quarters to € 769 million (€ 750 million). In contrast, **net commission income** declined significantly to minus € 30 million (€ 57 million). Net commission income was primarily impacted by guarantee fees. As part of the capital support measures, the State of Lower Saxony had assumed guarantees for certain loan portfolios of the bank. Fees for these guarantees totaled € 130 million in the first three quarters, but will decrease significantly in the future. Net commission income is significantly distorted by the commission payments for the guarantees and the ongoing securitization transactions. The net commission income adjusted for these special effects amounted to € 125 million as of September 30, 2020 and was thus roughly at the same level as the previous year.

The **risk provisioning** result is clearly negative at minus € 275 million (minus € 4 million). Loan loss provisions were again noticeably increased in the third quarter in order to be prepared for possible loan defaults in connection with the corona pandemic. However, the actual corona-related defaults are currently manageable. The Bank benefited from the fair value result (including hedge accounting), which amounted to € 243 million (€ 292 million) as at 30 September 2020.

Administrative expenses fell to € 684 million in the first three quarters. Compared with the previous year's figure of € 718 million, this represents a decline of 5 per cent. This already shows the first successes of the transformation programme. Administrative expenses are expected to fall to around € 625 million p.a. by 2024.

At minus € 32 million, **other operating profit/loss** remained virtually unchanged compared to the previous year (minus € 31 million) and was mainly influenced by the bank levy and the payments made by NORD/LB into the EU deposit guarantee scheme. **Restructuring and reorganisation expenses** in connection with the ongoing restructuring of the bank amounted to around € 38 million (€ 98 million) at the end of September 2020.

On 30 September 2020, the **common equity tier 1 capital (CET 1) ratio** was 14.1 per cent, an increase on the half-year figure. On the same reporting date, the **total capital ratio** was 18.9 per cent. The capital ratios are thus well above the regulatory minimum requirements. As agreed in the course of the capital measures implemented last year, the State of Lower Saxony has undertaken to return amounts equivalent to the fees paid by the Bank for the Lower Saxony guarantees to the bank's equity capital, either by the State or by a state-owned investment company, which has a positive effect on the capital ratios.

Outlook for the whole year 2020

"The Corona pandemic will continue to be a major concern for us in the coming months. However, it remains extremely difficult to assess the concrete impact of the pandemic. In any case, NORD/LB will stick to its defensive risk policy and, if necessary, further increase its risk provisioning. We currently assume that the bank will close the year 2020 with a negative result. We must also expect that the economic consequences of the pandemic will continue to impact on our business results in the coming year," said Thomas Bürkle.

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About NORD/LB

NORD/LB Norddeutsche Landesbank is, with total assets of € 130 billion, one of the leading German commercial banks. Its core business areas include transactions with corporate customers, private and commercial customers including private banking, as well as structured financing in the energy and infrastructure sector, for aircraft and for commercial real estate. The bank is based in Hanover, Braunschweig and Magdeburg and also has offices in Bremen, Oldenburg, Hamburg, Schwerin, Düsseldorf, Munich and Stuttgart. Outside of Germany, NORD/LB is represented as a mortgage bank (NORD/LB Covered Bond Bank) in Luxembourg and also has offices in London, New York, Singapore and Shanghai.

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IFRS CONSOLIDATED FINANCIAL STATEMENT FOR THE FIRST NINE MONTHS 2020

PROFIT AND LOSS STATEMENT (IFRS, in € million)	01.01 – 30.09 2020	01.01. – 30.09. 2019	Change € million	Change in %
Net interest income	769	750	19	3
Risk provisioning	-275	-4	-271	> 100
Net commission income	-30	57	-87	> 100
Fair value profit/loss (including hedge accounting)	243	292	-49	-17
Disposal results from financial instruments at fair value not recognised through profit and loss	-29	-21	-8	38
Profit/loss from shares in companies	-5	13	-18	> 100
Profit/loss from investments accounted for using the equity method	7	17	-10	-59
Administrative expenses (-)	684	718	-34	-5
Other operating profit/loss	-32	-31	-1	3
Earnings before restructuring, reorganisation, and taxes	-36	355	-391	> 100
Restructuring and reorganisation expenses	-38	-98	60	-61
Earnings before taxes	-74	257	-331	> 100
Income taxes (-)	-	42	-42	-100
Consolidated profit	-74	215	-289	> 100

BALANCE SHEET FIGURES (IFRS, in € million)	30.09. 2020	31.12. 2019	Change € million	Change in %
Total assets	128,925	139,619	-10,694	-8
Equity capital	5,742	5,838	-96	-2

REGULATORY KEY FIGURES (CRR / CRD IV / IFRS)	30.09. 2020	31.12. 2019	Change € million	Change in %
Common Equity Tier 1 (in € million)	5,682	5,792	-110	-2
Regulatory capital (in € million)	7,618	8,270	-652	-8
Total risk exposure amount (in € million)	40,327	39,841	486	1
Common Equity Tier 1 ratio ¹ (in %)	14.1	14.5		
Regulatory capital ratio ² (in %)	18.9	20.8		
Leverage ratio (in %)	4.1	4.1		

¹ CET1 capital ratio; ² Total regulatory capital ratio