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## NORD/LB implements transformation

- > **Transformation programme achieves important interim goals**
- > **Capital ratio increased again**
- > **Risk provisioning significantly reduced; loan portfolio of unchanged high quality**

In the first half of the year NORD/LB Norddeutsche Landesbank continued its transformation course and achieved important interim goals. As planned, Deutsche Hypo was fully integrated into NORD/LB on 1 July 2021. In the real estate segment, the bank will continue to operate on the market under the successful Deutsche Hypo brand. The organisational merger of previously separate units will also ensure annual synergies in the double-digit millions. It thus makes an important contribution to sustainable cost reduction.

The transformation of the bank is also associated with a significant reduction in the size of NORD/LB. Here we made great progress in the first half of the year. Total assets at mid-year were 116.7 billion euros (31.12.2020: 126.5 billion euros). As a positive note this reduction has not been at the expense of solidity. The capital ratios continued to improve significantly in the first half of the year. At the end of June, the Common Equity Tier 1 capital ratio (CET1) was 15.4 per cent and thus significantly above the regulatory requirements.

NORD/LB achieved earnings before taxes of minus 59 million euros in the first half of 2021. The consolidated result after taxes is minus 45 million euros.

"We have continued our transformation course consistently and successfully under difficult conditions. Of course, the transformation is still weighing on our results at the moment. But what is more important is that we are making rapid progress in the transformation of our business model. This is the prerequisite for achieving our ambitious goals in the future, even with a reduced balance sheet total. Accordingly, we see the investments we have made as investments in our future. They will pay off in the long term," said Thomas Bürkle, Chairman of the Managing Board of NORD/LB.

Although the first half of 2021 continued to be affected by the COVID-19 pandemic, NORD/LB performed well in operational terms. In the area of special financing, the bank financed renewable energy projects with a total output of around 700 megawatts, once again proving its role as one of the leading financiers of renewable energies. The first half of the year was also very pleasing in the real estate segment. With a new business volume of more than 2.4 billion euros, Deutsche Hypo not only achieved a record half-year, but has already acquired more new business than in the whole of 2020. Due to the current market conditions in connection with the COVID-19 pandemic, the Bank has been cautious in the aircraft financing sub-segment. However, we are now seeing certain recovery tendencies here as well, among others in regional traffic. As part of the strategic business segments, aircraft financing will continue to be very important for NORD/LB in the future.

#### **Income statement for the first half-year of 2021**

In the first half of the year, **net interest income** decreased to 427 million euros (30.06.2020: 543 million euros). This decline is related to the planned downsizing of the Bank and the associated reduction of certain portfolios. At the same time, the **net commission income** of 14 million euros at mid-year improved significantly compared to the previous year's figure (30.06.2020: minus 27 million euros). The commission income continues to be burdened by fees for the guarantees of the State of Lower Saxony, which totalled 50 million euros in the first two quarters, but which will be reinvested in the bank as capital at the end of the year. With the reduction of the underlying guarantee portfolios, the fees will gradually decrease in the future and thus relieve the commission income.

**Risk provisioning** was minus 20 million euros (30.06.2020: minus 99 million euros) as at 30 June 2021. Above all, the scheduled reduction of the shipping portfolio was accompanied by the reversal of risk provision positions, as the shipping markets have recovered sustainably. The management adjustment formed as a precaution in connection with the COVID-19 pandemic was only slightly reduced. With a value of 368 million euros at the end of the first half-year (31.12.2020: 386 million euros), the Bank continues to be well prepared for possible defaults in connection with the pandemic. The burdens in the form of actual loan defaults remain very manageable.

Once again, the Bank benefited from a positive **fair-value result** (including hedge accounting) in the first half of the year. With a value of 99 million euros, the valuation effects were, however, lower than in the previous

year (30.06.2020: 159 million euros). This balance sheet item includes, among other things, positive effects from the scheduled repayment of the shipping portfolio, which can be attributed to the favourable market development in this segment.

**Administrative expenses** decreased in the first two quarters. At 455 million euros, costs at mid-year were almost 2 percent below the previous year's value (30.06.2020: 462 million euros). Even against the background of increased investments, especially in the Bank's IT landscape, the trend of declining costs was confirmed once again.

**Other comprehensive income** of minus 77 million euros (30.06.2020: minus 71 million euros) was primarily influenced by the bank levy and payments into the deposit guarantee fund totalling 99 million euros. The **restructuring and transformation expenses** result primarily from the ongoing transformation of the bank. In the first two quarters it amounted to 35 million euros (30.06.2020: 25 million euros).

"NORD/LB Group continues to be in the middle of its transformation. On a positive note, the transformation of the group is proceeding according to plan. However, the associated investments will continue to burden our earnings in the second half of the year. Excluding these investments and possible risk expenses in connection with the COVID-19 pandemic, we expect a positive result for the full year 2021," said Thomas Bürkle. "The last one and a half years were characterised by the strengthening and stabilisation of our capital ratios. The development of the equity base shows that we have been very successful here. Now we are focusing more on the development of our new business, where we have already gained noticeable momentum in some segments. Despite possible COVID-19 charges and continued investments in the context of our transformation, we therefore also expect a significant improvement in results in the coming year."

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**About NORD/LB**

NORD/LB Norddeutsche Landesbank is one of the leading German commercial banks with total assets of EUR 117 billion. 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 and Singapore. [www.nordlb.de](http://www.nordlb.de)

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## IFRS CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR OF 2021

INCOME STATEMENT (IFRS in € million)	1.1.-30.06. 2021	1.1.-30.06. 2020	Change in € million	Change in %
Net interest income	427	543	- 116	- 21
Risk provisioning	- 20	- 99	79	- 80
Net commission income	14	- 27	41	> 100
Profit/loss from financial instruments at fair value through profit or loss (including hedge accounting)	99	159	- 60	- 38
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	- 18	- 14	- 4	29
Profit/loss from shares in companies	10	- 6	16	> 100
Profit/loss from investments accounted for using the equity method	- 4	7	- 11	> 100
Administrative expenses (-)	455	462	- 7	- 2
Other operating profit/loss	- 77	- 71	- 6	8
<b>Earnings before restructuring, transformation and taxes</b>	<b>- 24</b>	<b>30</b>	<b>- 54</b>	<b>&gt; 100</b>
Profit/loss from restructuring and transformation	35	25	10	40
<b>Earnings before taxes (EBT)</b>	<b>- 59</b>	<b>5</b>	<b>- 64</b>	<b>&gt; 100</b>
Income taxes (-)	- 14	- 1	- 13	> 100
<b>Consolidated profit</b>	<b>- 45</b>	<b>6</b>	<b>- 51</b>	<b>&gt; 100</b>

BALANCE SHEET FIGURES (IFRS in € million)	30.06. 2021	31.12. 2020	Change in € million	Change in %
Total assets	116 749	126 491	- 9 742	- 8
Reported equity	5 831	5 821	10	-

REGULATORY RATIOS (CRR / CRD IV / IFRS)	30.06. 2021	31.12. 2020	Change in € million	Change in %
Common equity tier 1 capital (in € million)	5 758	5 805	- 47	- 1
Regulatory capital (in € million)	7 483	7 640	- 157	- 2
Total risk exposure (in € million)	37 339	39 791	- 2 452	- 6
CET1 capital ratio, in %	15,4	14,6		
Total capital ratio, in %	20,0	19,2		
Common equity tier 1 capital ratio <sup>1</sup> (fully loaded, in %)	15,4	14,5		
Total regulatory capital ratio <sup>2</sup> (fully loaded, in %)	20,0	19,2		
Leverage ratio (in %)	4,9	4,3		

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