

# Press Release

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## NORD/LB returns to the profit zone

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- **Group result improves to 122 million euros**
- **Cost discipline pays off once more**
- **Capital ratios at a high level**

NORD/LB Norddeutsche Landesbank achieved earnings before taxes of 113 million euros in the first nine months of 2021. The consolidated profit was 122 million euros. In the corresponding period of the previous year, the Group result was minus 70 million euros. In that period, the high risk provisioning in connection with the Covid-19 pandemic had been a particular burden.

"It is encouraging that the Bank has returned to profitability. After economic activities were restricted in many sectors due to the Covid-19 pandemic, we are now benefiting from the overall economic recovery, which is having a positive impact on our new business development. However, the latest developments also show that the pandemic is still not over. It was therefore absolutely right that we reacted to the pandemic at once with a defensive risk policy. We will stick to this approach," explains Thomas Bürkle, Chairman of the Managing Board of NORD/LB.

"One thing is important to me in this context, however: NORD/LB is in a better position than a mere glance at some of the key figures has recently suggested. We have now made great progress in our Group restructuring. The bank is now much smaller and more efficient than it was at the beginning of the restructuring. We have consciously accepted that this will initially be at the expense of our business results. However, the transformation is the basis for achieving our ambitious goals in the future. I am convinced that we are on the right track," Bürkle continues.

NORD/LB's transformation programme will run until 2024, during which time the bank will invest heavily in new IT systems and digitalisation measures. At the same time, the number of employees will be reduced from currently just under 4,400 to around 3,000. This staff reduction will take place exclusively on the basis of voluntary measures, which has already been fully contracted and processed in the balance sheet.

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## Income statement for the first nine months 2021

**Total assets** of the NORD/LB Group has continued to decrease as planned in the course of the year to date. As at 30 September 2021 it stood at 116.8 billion euros (end of 2020: 126.5 billion euros). Total assets have therefore been reduced by around 8 per cent since the start of the year. NORD/LB's capital resources remain at a high level. **The Common Equity Tier 1 capital ratio** (CET 1 ratio) was 15.8 per cent at the end of September 2021 (31.12.2020: 14.5 per cent) and the total capital ratio was 20.5 per cent (31.12.2020: 19.2 per cent).

In the first three quarters, **net interest income** decreased to 651 million euros (30.09.2020: 769 million euros). This decline is related to the planned downsizing of the bank and the associated reduction of individual loan portfolios. For this reason NORD/LB was also unable to participate in the ECB's tender transactions (TLTRO III) and had to forego the positive interest effect that would have been associated with this. Only the former Group subsidiary Deutsche Hypo was able to generate interest income amounting to a small single-digit million amount through TLTRO III in the first half of 2021. Part of the decline in net interest income is also due to negative valuation effects.

**Net commission income** was 32 million euros as at 30 September 2021, significantly higher than the previous year's figure (minus 30 million euros). The result continues to be burdened by the payment of fees for guarantees from the State of Lower Saxony. These fees decrease over time. In the first three quarters of the current year they totalled 68 million euros.

With a net release of 42 million euros, **risk provisions** made a positive contribution to the result (minus 275 million euros). This was due to the reversal of provisions already made as well as receipts on receivables written off. In order to continue to be prepared for possible defaults in connection with the COVID-19 pandemic, the management adjustment formed as a precaution was hardly changed. It stood at 371 million euros as at 30 September 2021 (31 December 2020: 386 million euros). The high quality of the loan portfolio has further improved.

The Bank also benefited from a **fair value result (including hedge accounting)** of 164 million euros (246 million euros) in the first three quarters. This positive result is primarily due to valuation effects in connection with the successful reduction of the shipping portfolio. As at 30 September 2021, the volume of non-performing ship loans was approximately 0.3 billion euros (31 December 2020: 0.9 billion euros). It is planned to reduce this portfolio almost completely by the end of the year.

Administrative expenses have continued to decrease in the year to date and stood at 669 million euros (684 million euros) as at 30.09.2021. While

personnel expenses declined again due to the ongoing staff reductions, operating expenses remained at the previous year's level. The result from restructuring and transformation is primarily due to the ongoing restructuring of the Bank. In the first three quarters, it amounted to minus 62 million euros (minus 38 million euros).

## Outlook for the full year 2021

"Operationally, we are well on track. Assuming that the positive developments of recent weeks continue, we expect a positive consolidated result for the full year 2021. At the same time, we have the special situation that we are still a bank in transition - with corresponding effects on the business figures. Therefore, we remain cautious when looking ahead," emphasises Thomas Bürkle.

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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 and Munich. 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.  
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## IFRS CONSOLIDATED FINANCIAL STATEMENT FOR THE FIRST NINE MONTHS 2021

PROFIT AND LOSS STATEMENT (IFRS, in € million)	01.01 – 30.09 2021	01.01.– 30.09. 2020	Change € million	Change in %
Net interest income	651	769	-118	- 15
Risk provisioning	42	- 275	317	> 100
Net commission income	32	- 30	62	> 100
Profit/loss from financial assets at fair value (incl. Hedge Accounting)	164	246	- 82	- 33
Disposal profit/loss from financial assets not measured at fair value	- 14	- 29	15	52
Profit/loss from shares in companies	11	- 5	16	> 100
Profit/loss from investments accounted for using the equity method	- 9	7	- 16	> 100
Administrative expenses (-)	- 669	- 684	- 15	- 2
Other operating profit/loss	- 33	- 34	1	3
<b>Earnings before restructuring, reorganisation, and taxes</b>	<b>175</b>	<b>- 35</b>	<b>210</b>	<b>&gt; 100</b>
Restructuring and reorganisation expenses	- 62	- 38	- 24	- 63
<b>Earnings before taxes</b>	<b>113</b>	<b>- 73</b>	<b>186</b>	<b>&gt; 100</b>
Income taxes (-)	9	3	6	> 100
<b>Consolidated profit</b>	<b>122</b>	<b>- 70</b>	<b>192</b>	<b>&gt; 100</b>

BALANCE SHEET FIGURES (IFRS, in € million)	30.09. 2021	31.12. 2020	Change € million	Change in %
Total assets	116,758	126,491	- 9,733	- 8
Equity (balance sheet)	5,929	5,821	108	2

REGULATORY KEY FIGURES (CRR / CRD IV / IFRS)	30.09. 2021	31.12. 2020	Change € million	Change in %
Common Equity Tier 1 (in € million)	5,796	5,805	- 9	-
Regulatory capital (in € million)	7,511	7,640	- 129	- 2
Total risk exposure amount (in € million)	36,708	39,791	- 3,083	- 7
Common Equity Tier 1 ratio <sup>1</sup> (in %)	15.8	14.6		
Regulatory capital ratio <sup>2</sup> (in %)	20.5	19.2		
Leverage ratio (in %)	5.0	4.3		

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