

Press Release

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NORD/LB returns to profitability in 2021

- **Earnings before taxes of 16 million euros**
- **Capitalisation of the bank further strengthened - capital ratio at a very good 15.5 percent**
- **Administrative expenses down again**
- **Total assets significantly reduced and risks reduced**
- **Uncertainty about the further course of the Russia-Ukraine war complicates forecast for 2022**

Norddeutsche Landesbank
-Girozentrale-

Corporate Communication
Friedrichswall 10
D – 30159 Hanover
presse@nordlb.de
www.nordlb.com

NORD/LB Norddeutsche Landesbank closed the 2021 financial year with earnings before taxes of 16 million euros. The consolidated profit was 19 million euros. In 2020, the pre-tax result was minus 27 million euros. At the same time, the bank's capitalisation improved further. The successful restructuring of the bank opens up growth prospects in selected business areas.

"NORD/LB returned to profit last year. We have made good progress in the transformation of our bank. In conjunction with our very comfortable capital resources, this development gives us scope to now focus more strongly on growth again," said Jörg Frischholz, Chairman of the Managing Board of NORD/LB. "Our economy is currently facing major challenges. We want to make an active contribution to overcoming these challenges. Particularly in the accelerated transition of the energy industry, we can and will contribute our expertise and our many years of experience as one of the leading financiers of renewable energies."

Income statement for the 2021 financial year

In the 2021 financial year, NORD/LB's **net interest income** amounted to 816 million euros (previous year: 1,286 million euros). The reduction compared to the previous year's value is primarily due to a special effect in connection with the revaluation of financial obligations and the scheduled reduction of selected loan portfolios.

Risk provisioning improved significantly compared to the previous year with a value of 18 million euros (minus 426 million euros). In the 2020 business year, a so-called management adjustment for potential pandemic-



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related defaults in the amount of 386 million euros was created as a precaution in connection with the Corona pandemic. This risk buffer was only slightly reduced in the 2021 business year (362 million euros). On a positive note, the quality of the loan portfolio continued to improve last year. The NPL ratio was a very good 0.9 per cent at the end of 2021.

With a value of 52 million euros, **net commission income** improved significantly (minus 38 million euros). This development is due, among other things, to the lower fees for the guarantees of the State of Lower Saxony in the amount of 84 million euros. Utilisation of these guarantees has hardly been necessary so far. At the same time, the operating commission income, adjusted for this special effect, remained stable despite a decrease in the balance sheet total.

The **fair value result** (including hedge accounting) again made a positive contribution to earnings last year, amounting to 160 million euros (261 million euros). The fair value result benefited primarily from positive valuation effects in connection with the reduction of the ship portfolio. The **profit/loss from shares in companies** amounted to 21 million euros (minus 13 million euros), and the profit/loss from investments accounted for using the equity method was slightly lower than in the previous year at minus 17 million euros (minus 11 million euros).

Administrative expenses declined again, falling to 917 million euros in 2021 (934 million euros). This confirms the trend of declining costs. With the continuation of staff reductions in 2022 and 2023, personnel expenses will also decrease further. The significant reduction in the number of employees and the greater use of mobile work will lead to a compression of office capacities and thus relieve material costs. In addition, simpler and leaner Group structures will result in more efficient work processes and thus have a further positive effect on material costs.

The **other operating profit/loss** in the 2021 financial year was minus 14 million euros (minus 29 million euros). This item includes, among other things, the expenses for the bank levy and for the deposit guarantee fund in the total amount of 89 million euros.

Expenses for restructuring and transformation remained almost unchanged. Last year they amounted to 82 million euros (87 million euros). These expenses are directly related to the transformation process of the bank and are mainly made up of provisions for the planned staff reduction and expenses for the utilisation of consulting services for the restructuring of the bank.

Total assets of NORD/LB Group continued to reduce as planned in the 2021 accounting period. As at 31 December 2021 it was 114.7 billion euros (year-end 2020: 126.2 billion euros). The **total risk exposure amount**, which is decisive for the calculation of the capital ratios, also decreased last

year. It stood at 37.6 billion euros as of 31 December 2021. Despite the pandemic-related challenges and the ongoing transformation, the Bank's capitalisation was further strengthened. **NORD/LB's Common Equity Tier 1 capital ratio** once again improved significantly in the past year. As at 31 December 2021 it stood at 15.5 per cent (previous year's figure: 14.5 per cent) and was therefore well above the regulatory minimum requirement (8.7 per cent).

In the year under review NORD/LB continued to significantly reduce its shipping portfolio. As at 31.12.2021 the remaining portfolio was reduced to a volume of 0.7 billion euros (31.12.2020: 2.1 billion euros). With a volume of 0.1 billion euros at the end of the year, the non-performing loan ship portfolio was almost completely reduced by the end of 2021. The remaining portfolio will continue to be reduced in a value-preserving manner by 2024.

Development of segments in the financial year 2021

The **Corporate Customers** segment generated the largest contribution to earnings in the Group in 2021 with earnings before taxes of 142 million euros (previous year: 89 million euros). The segment comprises NORD/LB's middle-market and upper-middle-market corporate customer business. The bank has in-depth expertise and a wide range of products here. As one of the leading banks for the agricultural and food industry, NORD/LB has a particular focus on the transformation of these industries. In addition, the division has recently focused, among other things, on service bike financing for the leasing industry and has now financed around 65,000 bicycles, e-bikes and cargo bikes. NORD/LB is following the trend towards sustainable financing with green promissory note loans through its own bank digital promissory note platform finpair.

Business with **Real Estate Banking Customers** is largely determined by the activities of Deutsche Hypo, which was fully integrated into NORD/LB on 1 July 2021. Deutsche Hypo will continue to operate on the market under this brand after its integration. It is one of the leading providers in Germany in all of the market segments it offers. It covers the entire green value chain, including financing through green loans. With a pre-tax profit of 102 million euros (previous year: 30 million euros), the real estate segment achieved a record result last year.

The **Special Finance** segment is divided into two business areas: Energy and Infrastructure Customers and Aircraft Customers.

The Energy and Infrastructure Customers business unit closed the year 2021 with a pre-tax profit of a good 100 million euros. The Energy business unit mainly finances the construction and capacity expansion of wind and photovoltaic plants. In addition, there are financing solutions for future technologies such as green hydrogen, geothermal energy or electricity

storage. The focus of infrastructure financing is on the sectors of public building construction, economic infrastructure and rail transport. Broadband/fibre optic expansion is also supported in this area.

The sub-segment Aircraft Customers comprises the predominantly asset-based aircraft financings. In addition to commercial aircraft financing, other financial products such as promissory note loans or derivatives are offered in this segment. In this segment, the result continues to be burdened by risk provisions in connection with the Corona pandemic. Accordingly, a pre-tax result of minus 99 million euros was achieved.

In the 2021 financial year, the Special Finance segment thus achieved a pre-tax profit of just under 2 million euros (previous year: minus 150 million euros).

In the **Private and Commercial Customers and Savings Bank Network Customers** segment NORD/LB presented its products and services for private and commercial customers in the region of Braunschweigische Landessparkasse (BLSK), in Hanover and Hamburg as well as in Bremen and Oldenburg and business with savings banks in Lower Saxony, Saxony-Anhalt, Mecklenburg-Western Pomerania and Schleswig-Holstein. The cooperations in the lending business with the savings banks as well as the municipal financing business are also allocated to this segment. Due to significantly lower risk provisions than in the previous year, the pre-tax result of minus 14 million euros (previous year: minus 32 million euros) is considerably above the previous year's level.

The main task of the strategic business segment **Markets** is the provision of capital market products and capital market-related products for institutional clients. Here, a pre-tax result of minus 14 million euros was achieved last year (previous year: 31 million euros). The current result is influenced by special effects in trading profit/loss and in loan loss provisions as well as by a weaker derivative result. Operationally NORD/LB has succeeded in this area in confirming its successful positioning as lead manager/arranger in the placement of bond issues, in particular in the area of covered bonds.

Consistent transformation of the bank shows success

NORD/LB consistently continued its transformation in the past year and achieved important interim goals. With the full integration of Deutsche Hypo on 1 July 2021, a significant step towards simplifying the Group was completed. The reduction of selected loan portfolios is proceeding according to plan and creates scope for growth in selected business areas. The renewal of the IT infrastructure and the implementation of "New Work" concepts form the prerequisite for innovative forms of work and more agility. This means that NORD/LB will meet its high standards in terms of service and advisory quality despite a further fall in the number of

employees. The number of employees was just under 4,400 as at 31 December 2021 and will be reduced to around 3,000 by the end of 2023. This reduction in staff has been contractually agreed on the basis of voluntary measures and fully processed in the balance sheet.

Outlook 2022

NORD/LB has made a positive start to the 2022 financial year. There was significant growth in new business at the beginning of the year. The bank expects to be able to further expand its consolidated result in the current year. However, the high level of uncertainty regarding the course of the war in Russia and Ukraine and the associated consequences for the real economy make it considerably more difficult to make a concrete forecast at the present time. NORD/LB does not have any relevant business volume in Russia and Ukraine. Nevertheless, any second-round effects are being monitored very closely.

"In times of global uncertainty NORD/LB has achieved a high level of resilience. This gives us the opportunity to turn the focus towards growth. In this context, the issue of sustainability in particular is a key concern for us. The transition of the energy industry is a major task for society as a whole. We have been active in this area for over 30 years and we will continue to play a pioneering role here in the future," says Jörg Frischholz.

Contact: Mario Gruppe, Tel.: +49 (0) 511 361 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 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 FINANCIAL YEAR 2021

PROFIT AND LOSS STATEMENT (IFRS, in € million)	2021 ¹	2020	Change € million	Change in %
Net interest income	816	1 286	- 470	- 37
Risk provisioning	18	- 426	444	> 100
Net commission income	52	- 38	90	> 100
Profit/loss from financial assets at fair value (incl. Hedge Accounting)	160	261	- 101	- 39
Disposal profit/loss from financial assets not measured at fair value	- 21	- 36	15	- 42
Profit/loss from shares in companies	21	- 13	34	> 100
Profit/loss from investments accounted for using the equity method	- 17	- 11	- 6	55
Administrative expenses	- 917	- 934	17	- 2
Other operating profit/loss	- 14	- 29	15	- 52
Earnings before restructuring, reorganisation, and taxes	98	60	38	63
Restructuring and reorganisation expenses	- 82	- 87	5	- 6
Earnings before taxes	16	- 27	43	> 100
Income taxes	3	40	- 37	- 93
Consolidated profit	19	13	6	46

¹ Final and audited figures

BALANCE SHEET FIGURES (IFRS, in € million)	31.12. 2021	31.12. 2020	Change € million	Change in %
Total assets	114,663	126,176	- 11,513	- 9
Equity (balance sheet)	5,880	5,775	105	2

REGULATORY KEY FIGURES (CRR / CRD IV / IFRS)	31.12. 2021	31.12. 2020	Change € million	Change in %
Common Equity Tier 1 (in € million)	5,831	5,763	68	1
Regulatory capital (in € million)	7,479	7,597	- 118	- 2
Total risk exposure amount (in € million)	37,609	39,791	- 2,182	- 6
Common Equity Tier 1 ratio ¹ (in %)	15.5	14.5		
Regulatory capital ratio ² (in %)	19.9	19.1		
Leverage ratio (in %)	5.2	4.3		

¹ CET1 capital ratio; ² Total regulatory capital ratio