

Press Release

Hanover, 31 August 2022

NORD/LB: Strong new business provides tailwind and creates prospects for profitable growth

- **Increase in net interest and commission income**
- **Valuation effects have impact on half-year result, Bank achieves profit of €15 million in the second quarter**
- **Bank is back on track after successful realignment**

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NORD/LB Norddeutsche Landesbank achieved significant growth in new business in the first half of 2022. The volume of new loans granted in the first six months was around €10 billion. This corresponds to an increase of more than 70 per cent compared to the same period of the previous year. The goal of achieving noticeable growth by focusing on selected areas was thus achieved. In the course of the significant expansion of new business, there was an increase in net interest income and net commission income of €10 million and €48 million respectively compared to the first half of the previous year. The stable and profitable growth will contribute to a further positive development of the business figures.

Jörg Frischholz, Chairman of the Managing Board of NORD/LB: "NORD/LB was able to achieve a noticeable increase in both interest and commission income thanks to impressive growth in new business. In corporate customer business alone, new business more than doubled compared to the previous year. The increase in financing solutions, especially in challenging times, proves that our customers trust in the strength and sustainability of our business model."

The expansion of new business took place while strictly maintaining the Bank's conservative risk policy, so that it was even possible to significantly release risk provisions in the first half of the year. In addition, the share of non-performing loans has further decreased since the beginning of the year and stood at a low 0.7 per cent as of 30 June 2022.

The deterioration of the economic environment in recent months, especially due to the war of aggression in Ukraine and the associated significant effects on the global economy, have caused inflation and the general level of market interest rates to rise significantly. As a result NORD/LB's earnings were burdened by valuation effects directly related to interest rate developments. Further economic developments are currently difficult to predict. The many uncertainties worldwide show that forecasts are only possible with reservations.



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Overall, NORD/LB's income statement for the first half of 2022 shows earnings after taxes of minus €63 million. However, this is offset in the balance sheet by positive valuation effects on balance sheet equity, so that the bank has generated a significant plus overall. The so-called **total comprehensive income**, which includes all valuation effects, amounted to **€322 million** in the first half of the year. This corresponds to an increase of €337 million compared to the previous year.

In the **second quarter** of 2022 NORD/LB was already able to achieve an **after-tax profit of €15 million** again. The negative half-year result in the income statement arose in the first quarter of 2022 alone, which was burdened by the payment of the bank levy and the single resolution fund for the full year.

The strong new business development took place across the Bank's core segments. The Bank places a special focus on the topic of sustainability. In the **Corporate Customers segment**, NORD/LB more than doubled its new business compared to the first half of 2021. Accordingly, the segment has significantly expanded its earnings before taxes to €103 million (30 June 2021: €66 million). In the corporate client area, a particular focus has recently been on supporting the energy industry in the implementation of the energy transition. In addition, the Bank is currently supporting its customers increasingly in financing technical innovations.

In the **Energy and Infrastructure Customers** business segment, there was also a noticeable expansion of business. Here, too, the volume of new business almost doubled compared to the previous year. As a result, the division's pre-tax profit increased to €85 million (30 June 2021: €65 million). Particularly noteworthy here is the financing of a solar and battery storage project in Nevada and a large wind farm in Sweden. In addition, the Bank continues to participate in broadband expansion projects in Germany.

The development in the **Real Estate Banking Customers** segment was also pleasing. This segment is largely determined by the activities of Deutsche Hypo, whose full integration has now been successfully completed without any slowdown in business activity. After a record result in new business last year, Deutsche Hypo has now once again confirmed the extremely strong development of the previous year. The segment result improved in the first half of the year to €92 million (30 June 2021: €59 million), also due to reduced risk provisions. Deutsche Hypo has already been focusing on green banking for several years and is increasingly financing so-called green buildings. These are buildings that are characterised by high energy efficiency and the fulfilment of other defined sustainability criteria.

"The good new business development gives us tailwind for the coming months. We are working with great commitment to fully implement our ambitious growth targets and are on a very good track. This shows: The realignment of the bank was successful and NORD/LB's business model is bearing fruit. This will also be reflected more clearly in our future results," said Jörg Frischholz, Chairman of the Managing Board of NORD/LB.

Income statement for the first half of 2022

Net interest income improved to €438 million in the first half of 2022 (30 June 2021: €428 million). After the net interest income had continuously decreased in the past years due to the scheduled downsizing of the Bank as well as the uncertainties in connection with the Covid-19 pandemic, a countermovement is now evident here for the first time.

Net commission income amounted to €62 million and thus also increased significantly (30 June 2021: €14 million). This item also includes, among other things, the fees payable to the State of Lower Saxony for the financial guarantees in the amount of €27 million. In addition, the positive development in new business led to an increase in commission income. Due to the continuing momentum in new business, this development should continue in the coming quarters.

The **risk provision result** recorded a value of €67 million in the first half of the year (30 June 2021: €-20 million). Overall, it was thus possible to release risk provision items. The development here was particularly pleasing in the real estate and aircraft financing segments. NORD/LB has virtually no exposure in Russia and Ukraine. At the same time the Bank will continue to monitor possible second and third round effects very closely. The Bank continues to have precautionary risk provisions (management adjustments) of around €350 million in order to be prepared for possible consequences from the Covid-19 pandemic and the war in Ukraine.

The **fair-value result** was burdened by €-137 million (30 June 2021: €92 million). This position results from negative valuation effects related to the increase in the general interest-rate level since the beginning of the year. Among other things, the general market interest-rate development has led to a change in the valuation of pension obligations. While these financial market-induced effects have a negative impact on the fair-value result in the income statement, they are at the same time positively accompanied by a relief of the Bank's balance sheet equity. Accordingly, NORD/LB's balance sheet equity has increased in the first half of 2022 from €5,848 million (31 Dec 2021) to €6,160 million (30 June 2022).

The trend of declining costs has continued in the first six months of the current year. **Administrative expenses** amounted to €437 million as of 30 June 2022, approximately 4 per cent below the corresponding figure for

the previous year. This decline is due to lower personnel expenses as well as reduced material expenses.

The **other operating result** of €-60 million was mainly influenced by the bank levy and payments into the single resolution fund (30 June 2021: €-78 million). **Restructuring and transformation expenses** in connection with the ongoing restructuring of the Bank amounted to €-46 million in the first half of 2022 (30 June 2021: €-35 million).

The **Common Equity Tier 1 capital ratio** (CET 1) was 15.1 per cent at the end of June 2022 (31 Dec 2021: 15.5 per cent), while the **total capital ratio** was 19.3 per cent (31 Dec 2021: 19.9 per cent). Both ratios thus remain well above the regulatory requirements. The **total assets** decreased slightly in the first six months of the current year. As of 30 June 2022, it stood at around €112 billion.

"The growth rates in our core business segments show quite clearly: NORD/LB is back on the market," said Jörg Frischholz, Chairman of the Managing Board of NORD/LB. "We will continue to pursue this path consistently: The highly investment-intensive transformation of the economy and society towards greater sustainability opens up excellent long-term opportunities for stable and profitable growth for us as the bank of the energy transition - with our more than 30 years of experience in financing renewable energies," Frischholz continued.

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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 STATEMENTS FOR THE FIRST HALF OF 2022

INCOME STATEMENT (IFRS, in million euros)	1.1.-30.06. 2022	1.1.-30.06. 2021	Change in million euros	Change in %
Net interest income	438	428	10	2
Net commission income	62	14	48	> 100
Profit/loss from fair value measurement	- 137	92	- 229	> 100
Risk provisioning	67	- 20	87	> 100
Disposal Profit/loss from financial instruments not measured at fair value through profit or loss	- 8	- 18	10	- 56
Profit/loss from hedge accounting	- 19	1	- 20	> 100
Profit/loss from shares in companies	5	10	- 5	- 50
Profit/loss from investments accounted for using the equity method	45	- 4	49	> 100
Administrative expenses	- 437	- 455	18	- 4
Other operating profit/loss	- 60	- 78	18	- 23
Profit before restructuring, transformation and taxes	- 44	- 30	- 14	47
Result from restructuring and transformation	- 46	- 35	- 11	31
Earnings before taxes	- 90	- 65	- 25	38
Income taxes	27	14	13	93
Consolidated profit/loss	- 63	- 51	- 12	24
Other comprehensive income (OCI)	385	36	345	> 100
Total comprehensive income for the period	322	- 15	337	> 100

BALANCE SHEET FIGURES (IFRS, in million euros)	30.06. 2022	31.12. 2021	Change in million euros	Change in %
Total assets	112 257	114 631	- 2 374	- 2
Equity	6 160	5 848	312	5

REGULATORY KEY FIGURES (CRR / CRD IV / IFRS)	30.06. 2022	31.12. 2021	Change in million euros	Change in %
CET1 capital (in € million)	5 618	5 831	- 213	- 4
Own funds (in € million)	7 157	7 479	- 322	- 4
Total risk exposure amount (in € million)	37 085	37 609	- 524	- 1
CET1 capital ratio ¹ (in %)	15.1	15.5		
Total capital ratio ² (in %)	19.3	19.9		
Leverage ratio (in %)	5.0	5.2		

¹ CET1 Capital Ratio; ² Total Regulatory Capital Ratio