

Press Release

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NORD/LB with significant profit increase in 2022

- **Earnings before taxes of € 104 million // Comprehensive income of € 408 million**
- **New business targets achieved, cost discipline maintained**
- **Strong operating business development**
- **Successful focus on project financing, corporate customers and commercial real estate financing**
- **Position as "Bank of the Energy Transition" further expanded**

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NORD/LB Norddeutsche Landesbank achieved earnings before taxes of € 104 million in the 2022 financial year. Consolidated profit amounted to € 89 million. In 2021 the consolidated profit was still € 32 million. NORD/LB has therefore achieved its goal of significantly exceeding the previous year's result.

The positive business figures are based on a successful development in the Bank's core segments. In particular, earnings increased in the financing of renewable energies and infrastructure projects, in the corporate customers segment and in real estate financing under the Deutsche Hypo brand.

The focus on profitable new business was not at the expense of the Bank's conservative risk policy. As in previous years, the Bank continued to free itself from risks and reduce the share of non-performing loans.

"We are pleased with the successful customer business in our defined growth areas," said Jörg Frischholz, Chairman of the Managing Board of NORD/LB. "At the same time, we have consistently continued the transformation of our bank. By expanding our core business segments, we are supporting our customers in meeting the challenges posed by climate change. As the bank of the energy transition, we will focus even more strongly on this task."

Income statement for the financial year 2022

In the 2022 business year, the Group's **net interest income** was € 896 million (previous year: € 816 million). Despite the reduced total assets, the net interest income increased by about 10 per cent compared to the previous year. This was primarily due to the improved development of new business and a good deposit base. Valuation effects resulting from the rise



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in market-interest rates had a dampening effect, without which net interest income would have been almost € 90 million more.

With a value of € 166 million, **net commission income** was also significantly expanded (€ 52 million). Again, the pleasing development of new business had a positive effect in increasing commission income. This was also favoured by a reduction in fees for the guarantees of the State of Lower Saxony to € 47 million (€ 84 million). Utilisation of these guarantees has hardly been necessary so far. But the operating commission income adjusted for this one-off effect also developed positively.

The **fair-value result** declined in the past year. This amounted to € -104 million (€ 200 million) for the full year 2022. This decrease was mainly due to negative valuation effects related to pension obligations and the increase in the general interest-rate level. While these market-induced effects had a negative impact on the fair-value result in the profit and loss account, they were clearly outweighed by positive valuation effects in the balance sheet equity. The so-called comprehensive income, which includes all valuation effects, amounted to € 408 million as at 31 December 2022. This corresponds to an increase of € 446 million compared to the previous year. NORD/LB's balance sheet equity has also increased accordingly in the 2022 accounting period from € 5,848 million (31.12.2021) to € 6,300 million (31.12.2022), which will have a positive effect on the bank's capital ratios.

Risk provisions amounts to € 142 million and is the result of diverging developments in the individual business segments. The recovery of the aircraft markets after overcoming the Covid-19 pandemic and the further planned reduction of non-strategic portfolios made it possible to release risk provisions. At the same time, new risk provisions were formed against the backdrop of a more difficult economic environment. This mainly concerns the corporate customers segment and private and business customers.

NORD/LB will continue to pursue a defensive risk policy in future. The extremely high quality of the loan portfolio is reflected in the extremely low NPL ratio, which was a very good 0.7 per cent at the end of 2022. In addition, NORD/LB is also prepared for potential defaults in connection with the war in Ukraine. The management adjustment formed as a precaution for this was € 259 million as at 31 December 2022.

The result from **hedge accounting** improved significantly in the 2022 business year to a value of € 20 million (€ -40 million). This was primarily due to interest rate-induced valuation effects. The result from **shares in companies** amounted to € 7 million (€ 21 million), and the result from **investments accounted for using the equity method** of € 34 million was better than in the previous year (€ -4 million).

Against the background of continued strict cost discipline, **administrative expenses** decreased to € 909 million last year (€ 917 million). While personnel costs declined again, material costs increased slightly in the wake of the strong rise in the general price level. Despite high inflation rates, costs were kept stable overall.

The **other operating result** in the 2022 financial year was € -48 million. (€ -14 million). This item includes, among other things, expenses for the bank levy and for payments into the deposit guarantee scheme totalling € 77 million (€ 89 million).

Expenses for restructuring and transformation decreased. Last year they amounted to € 67 million (€ 82 million). These expenses are directly related to the transformation process of the Bank.

Total assets of the NORD/LB Group continued to decrease as planned in the 2022 financial year. As at 31 December 2022 it was at € 109.3 billion (year-end 2021: € 114.6 billion). The **total risk exposure amount**, which is decisive for the calculation of the capital ratios, increased moderately in the past year. As at 31 December 2022, it was € 40.1 billion and thus slightly below the target defined for this ratio in the course of the 2019 capital measures. NORD/LB's **Common Equity Tier 1 capital ratio** fell slightly in the 2022 financial year against the backdrop of stronger new business activities. As at 31 December 2022 it was 14.2 per cent (previous year: 15.4 per cent). It thus remains well above the regulatory minimum requirement of 8.7 per cent. In this context, it should also be noted that the addition of the profit from the 2022 financial year to the regulatory equity capital will lead to an increase in the bank's Common Equity Tier 1 capital ratio.

Development of the segments in the 2022 financial year

The **Corporate Customers** business segment confirmed the strong performance of the previous year in 2022 and again slightly increased its pre-tax profit to € 147 million (previous year: € 142 million). While the formation of new risk provisions was increased from € 32 million to € 75 million, income was increased by € 42 million. This segment comprises the middle and upper middle-market corporate customer business of NORD/LB. The Bank sees itself as a partner for corporate customers in their transition to a sustainable future. With precisely tailored ESG-based and green financing solutions in bilateral and syndicated lending business and promissory notes, NORD/LB enables sustainable and responsible action. For example, this segment supports energy suppliers in achieving ambitious climate targets, finances local heating networks heated with renewable energy, e.g. in rural areas, or supports projects that contribute to CO₂-neutral mobility.

With its established "Deutsche Hypo" brand, NORD/LB defines **real estate financing** as financing for customers who generate most of their cash flow

from real estate or who regularly make significant real estate investments. It is one of the leading providers in Germany in all of the market segments offered. It covers the entire green value chain, including financing through green loans. In the 2022 financial year, the segment achieved a pre-tax profit of € 146 million, thus significantly improving on the record result from the previous year (€ 102 million).

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

The **Energy and Infrastructure Customers** business unit closed 2022 with a pre-tax profit of € 201 million (previous year: € 100 million). This is due to an increase in income from € 224 million to € 320 million, while risk provisioning remained almost unchanged. In the **energy sector**, financing is mainly provided for new construction and capacity expansions of wind and photovoltaic plants. In addition, there are financing solutions for future technologies such as green hydrogen, geothermal energy or electricity storage. NORD/LB is active in various sectors within the scope of **infrastructure financing**. A particular focus is on the areas of social and digital infrastructure and transport. The sub-segment has benefited from a pleasing development in new business with a corresponding increase in net interest income, net commission income and net trading income.

The sub-segment **Aircraft Customers** comprises the predominantly asset-based aircraft financing. In addition to commercial aircraft financing, other financial products such as promissory notes and derivatives are offered in this segment. In the past business year, a pre-tax profit of € 184 million was achieved (previous year € -99 million). The segment benefited primarily from a reinforced new business after two weak years due to Covid-19 and the reversal of risk provisions.

In the 2022 business year, the **Special Finance segment** thus achieved an overall pre-tax profit of € 385 million (previous year: € 2 million).

In the **Private and Commercial Customers and Savings Bank Network Customers** business segment NORD/LB offers its products and services to all private and commercial customers in the business region of Braunschweigische Landessparkasse (BLSK) and in Hanover, Hamburg, Bremen and Oldenburg. The Bank also performs the central giro function for the savings banks in Lower Saxony, Saxony-Anhalt, Mecklenburg-Western Pomerania and Schleswig-Holstein. It also acts as a partner to the savings banks in the syndicated loan business. At € -41 million (previous year: € -14 million), earnings before taxes were below the previous year's level. Despite a significant increase in income, higher administrative expenses and increased risk provisioning were the main factors contributing to this development.

The main task of the strategic business segment **Markets** is trading in capital market products and capital market-related products with institutional clients. Here, a pre-tax result of € 52 million was achieved last year (previous year: € -14 million). While earnings increased by more than € 40 million, the risk provisioning result remained unchanged. The segment benefited in particular from the development of interest rates, which can be seen in particular in the increased net interest income based on interest effects from securities portfolios and liability margins. In operational terms NORD/LB once again succeeded in confirming its successful positioning as lead manager/arranger in the placement of bond issues, particularly in the area of covered bonds.

Outlook 2023

NORD/LB's positive development continued at the beginning of the year. The bank continues to benefit from dynamic new business development. Although the geopolitical environment remains highly uncertain, NORD/LB aims to strengthen its competitive position and improve its operating result in 2023.

"We will continue to pursue our chosen path consistently this year. This means that we want to further improve our operating profitability. I am confident that we will be able to increase our earnings again and continue on our course of cost discipline," said Jörg Frischholz. "In addition, as the leading German financier of renewable energies, we want to live up to our social responsibility in tackling climate change and therefore further expand this business segment."

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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 FINANCIAL YEAR 2022

INCOME STATEMENT (IFRS, in million euros)	2022	2021 ¹	Change in million euros	Change in %
Net interest income	896	816	80	10
Net commission income	166	52	114	> 100
Profit/loss from fair value measurement	- 104	200	- 304	> 100
Risk provisioning	142	18	124	> 100
Disposal Profit/loss from financial instruments not measured at fair value through profit or loss	- 33	- 21	- 12	57
Profit/loss from hedge accounting	20	- 40	60	> 100
Profit/loss from shares in companies	7	21	- 14	- 67
Profit/loss from investments accounted for using the equity method	34	- 4	38	> 100
Administrative expenses	- 909	- 917	- 8	- 1
Other operating profit/loss	- 48	- 14	- 34	> 100
Profit before restructuring, transformation and taxes	171	111	60	54
Result from restructuring and transformation	- 67	- 82	- 15	18
Earnings before taxes	104	29	75	> 100
Income taxes	- 15	3	- 18	> 100
Consolidated profit/loss	89	32	57	> 100
Other comprehensive income (OCI)	319	- 70	389	> 100
Total comprehensive income for the period	408	- 38	446	> 100

¹ Figures for 2021 adjusted

BALANCE SHEET FIGURES (IFRS, in million euros)	31.12. 2022	31.12. 2021 ¹	Change in million euros	Change in %
Total assets	109 325	114 631	- 5 306	- 5
Equity	6 300	5 848	452	8

¹ Figures for 2021 adjusted

REGULATORY KEY FIGURES (CRR / CRD IV / IFRS)	31.12. 2022	31.12. 2021 ³	Change in million euros	Change in %
CET1 capital (in € million)	5 684	5 788	- 104	- 2
Own funds (in € million)	7 074	7 436	- 362	- 5
Total risk exposure amount (in € million)	40 142	37 528	- 2 614	7
CET1 capital ratio ¹ (in %)	14,2	15,4		
Total capital ratio ² (in %)	17,6	19,8		
Leverage ratio (in %)	5,1	5,2		

¹ CET1 Capital Ratio; ² Total Regulatory Capital Ratio; ³ Figures for 2021 adjusted