

Press Release

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NORD/LB increases earnings before taxes in 2023 to € 271 million

- **Earnings before taxes at € 271 million and consolidated profit at € 224 million more than doubled**
- **Continued earnings growth and cost discipline**
- **Profitability significantly improved**
- **CET1 capital ratio further strengthened**

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-Girozentrale-

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NORD/LB Norddeutsche Landesbank generated earnings before taxes of € 271 million in the 2023 financial year. This more than doubled the previous year's result of € 104 million (increase of 161 per cent). Consolidated profit also rose noticeably. After € 89 million in 2022, the bank increased its consolidated profit to € 224 million in 2023 (an increase of 152 per cent).

The positive business figures are based, on the one hand, on the bank's significant earnings growth. Net interest income and net commission income together increased to nearly € 1.3 billion. Compared to the same period last year (€ 1.1 billion), this corresponds to an increase of roughly 20 per cent. These figures also reflect the continued positive development of the bank's customer business.

On the other hand, NORD/LB maintained its strict cost discipline. In an environment characterised by high inflation, costs were kept stable overall at € 908 million (previous year: € 909 million). As a result, the cost-income ratio (CIR) for the 2023 financial year improved noticeably to 74 per cent (previous year: 98 per cent). At the same time, the return on equity (RoE) before taxes increased to 4.0 per cent, compared to 1.5 per cent in the previous year.

"NORD/LB continued on its course of profitability in the 2023 financial year," said Jörg Frischholz, CEO of NORD/LB. "Our annual result shows that our strategy is taking effect and that the measures implemented to transform NORD/LB are working. We were able to continue our positive earnings performance and improve in key performance indicators."

Frischholz adds: "We have thus created an important basis for supporting our customers with our financial solutions in a volatile economic



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environment. We will support them in the realisation of important projects and, as the bank of the energy transition, focus on sustainable aspects, especially in the transformation of our economy."

Income statement shows increase in net interest and commission income

Net interest income in the Group totalled € 1,076 million in the 2023 financial year (previous year: € 896 million). Net interest income thus increased by 20 per cent compared to the previous year. In addition to the continued pleasing development of new business, NORD/LB also benefited from the general market interest-rate trend.

Being at € 209 million, **net commission income** also increased significantly compared to the previous year (€ 166 million). This 26 per cent increase was primarily due to higher commission income as a result of the positive development of new business. Net commission income also benefited from the scheduled reduction in fees for guarantees from the state of Lower Saxony. These totalled € 27 million in the past financial year (previous year: € 47 million). Operating commission income adjusted for this special effect also developed positively. The guarantee portfolios were further reduced last year.

The **result from fair value measurement** moved sideways in the past year to € -105 million (previous year: € -104 million). The result was significantly influenced by the valuation effects of the state guarantees. The scheduled reduction of the wind-down portfolios also reduced the accounting value of the federal state guarantees. The volume of these portfolios was over € 3 billion at the beginning (31 December 2019). As at 31 December 2023, the volume was still around € 0.3 billion. It has hardly been necessary to utilise the guarantees to date. In addition, negative valuation effects in connection with the general market interest-rate trend were responsible for the fair value result. While the market-induced effects had a negative impact on the fair value result in the income statement, they were accompanied by a positive valuation effect on balance sheet equity. The comprehensive income, which includes all valuation effects, was € 543 million as at 31 December 2023. This corresponds to an increase of € 135 million compared to the previous year (previous year: € 408 million). Accordingly, NORD/LB's total assets also increased in the 2023 financial year from € 6,300 million (31 December 2022) to € 6,865 million (31 December 2023), which will have a positive effect on the Bank's capital ratios.

Risk provisions amounted to a value of € -99 million after € 142 million in 2022 and resulted from diverging developments in the individual business segments. The recovery of the aircraft markets after the Covid-19 pandemic was overcome continued in the past year and led to the reversal of risk provision items in this area. At the same time, risk provisions were

reversed in connection with the further planned reduction of the non-strategic portfolios. On the other hand, new risk provisions were recognised against the backdrop of the persistently difficult economic situation. This primarily relates to the Corporate Customers segment and the bank's commercial real estate business.

In order to be prepared for potential defaults in connection with the tense economic situation, the bank has recognised a management adjustment. At the end of 2023, the value of this precautionary risk buffer was € 289 million. To this end, the previous management adjustment, which was intended to cushion the uncertainties arising from the war in Ukraine, was completely reversed.

Irrespective of this, NORD/LB's loan portfolio continues to be characterised by high quality. The NPL ratio was 1.1 per cent at the end of 2023 and therefore still at a low level (previous year: 0.7 per cent). Around 90 per cent of the loan portfolio is investment grade. NORD/LB will continue to adhere to its defensive risk policy in the future.

The **profit from hedge accounting** fell slightly in the 2023 financial year to € 19 million (previous year: € 20 million). This was primarily due to interest rate-induced valuation effects. The **result from shares in companies** totalled € 94 million, a significant improvement on the previous year (€ 7 million). This increase is due to positive developments in the valuation of investments. At € 4 million, the **result from companies accounted for using the equity method** fell slightly short of the previous year's figure of € 34 million.

NORD/LB's strict cost discipline meant that **administrative expenses** remained almost constant last year at € 908 million compared to the previous year (€ 909 million) despite a permanently higher inflation rate.

The **other operating result** totalled € 18 million in the 2023 financial year (previous year: € -48 million). This item includes expenses for the bank levy and the Deposit Protection Fund totalling € 75 million (previous year: € 76 million). The improvement compared to the previous year is mainly due to one-off income as a result of a merger of investments.

Expenses for restructuring and transformation were reduced once again. They totalled € 52 million last year (previous year: € 67 million). These expenses are directly related to the Bank's successful transformation process. This item also includes the costs incurred for the modernisation of banks IT architecture.

Following a significant reduction in the NORD/LB Group's **total assets** in recent years, they increased slightly in the 2023 financial year. As at 31 December 2023, it stood at € 112.0 billion (year-end 2022: € 109.3 billion). The **total risk exposure amount** used to calculate the capital ratios also

moved sideways in the past year. As at 31 December 2023, it stood at € 40.4 billion (previous year: € 40.1 billion). NORD/LB's **Common Equity Tier 1 capital ratio** improved slightly in the 2023 financial year against the backdrop of the positive earnings performance. As at 31 December 2023, it stood at 15.2 per cent (previous year: 15.1 per cent). It is therefore well above the regulatory minimum requirement of 9.4 per cent. In this context, it should be noted that the addition of the profit from the 2023 financial year to regulatory equity will lead to an increase in the bank's Common Equity Tier 1 capital ratio. This effect is expected to lead to a further improvement in the Common Equity Tier 1 capital ratio of 0.8 percentage points.

Development of the segments in the 2023 financial year

The **Corporate Customers and Savings Banks Network** segment once again exceeded the previous year's strong result in 2023 and generated earnings before taxes of € 227 million (previous year: € 187 million). The segment result benefited from a significant increase in income to € 448 million (previous year: € 418 million). In addition, the lower formation of risk provisions totalling € -35 million (previous year: € -77 million) had a positive effect. This segment comprises support for medium-sized companies in close cooperation with the local savings banks. To this end, the Corporate Customers segment was organisationally merged with the Savings Banks Network business last year. This segment also has particular expertise in supporting companies in the food, agricultural, retail and energy sectors.

In the **Real Estate Banking Customers** segment, NORD/LB offers professional real estate investors financing solutions based on an extensive product range with its established "Deutsche Hypo" brand. In new business, the focus here is primarily on financing particularly energy-efficient properties. In the 2023 financial year, the division generated earnings before taxes of € 6 million. Following the record result from the previous year (€ 146 million), the segment result in the past year was characterised by the formation of new risk provisions due to the generally tense situation on the property markets. The risk provision result deteriorated accordingly to € -132 million (previous year: € 23 million). At the same time, income increased significantly, improving the operating result to € 138 million (previous year: € 123 million).

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

The **Energy and Infrastructure Customers** business division closed 2023 with earnings before taxes of € 153 million (previous year: € 201 million). At € 305 million, income stabilised at a high level (previous year: € 319 million). Risk provisioning was low with net additions totalling € 19 million

(previous year: € 4 million) and is partly due to the increase in management adjustments. In the **Energy** segment, the new construction and capacity expansions of wind and photovoltaic plants are primarily financed. This is supplemented by financing solutions for future technologies such as green hydrogen, geothermal energy and electricity storage. NORD/LB is active in various sectors within the framework of **infrastructure financing**. A particular focus is on financing projects in the areas of social and digital infrastructure, social housing, educational facilities and transport.

The Aviation Finance and Investment Solutions sub-segment comprises mainly asset-based **aircraft financing**. In the past financial year, earnings before taxes totalling € 15 million were generated here (previous year: € 184 million). The segment primarily benefited from the reversal of risk provisions recognised during the coronavirus pandemic and the associated restrictions on global air travel.

In the 2023 financial year, the **Special Finance** segment thus achieved total earnings before taxes of € 168 million (previous year: € 385 million).

In the **Private & Commercial Customers** segment, NORD/LB offers all the services of a regional universal bank under the Braunschweigische Landessparkasse (BLSK) brand. BLSK is the regional market leader with a market share of over 40 per cent. Earnings before taxes increased to € 61 million in the past financial year compared to the previous year (previous year: € -71 million). The division benefited from the interest-rate environment in 2023 and significantly increased its income to € 301 million (previous year: € 217 million).

The main task of the **Markets** strategic business segment is the trading of capital market products and capital market-related products with institutional clients. In the past year, a pre-tax result of € 19 million (previous year: € 42 million) was achieved here. As in previous years, earnings performance was characterised by valuation fluctuations as a result of general movements on the capital markets. Income fell moderately to a value of € 147 million (previous year: € 169 million). The risk provision result was € -10 million (previous year: € 0 million).

Outlook 2024: Successful start to the new financial year

Jörg Frischholz was cautiously optimistic about developments in the current financial year: "The current economic environment is undoubtedly tense. Nevertheless, promising projects are being realised and we are seeing high demand for our expertise, particularly in the field of renewable energies. We will continue to support our customers with their plans and projects and provide them with close assistance in the current uncertain times."

Mr Frischholz added: "We will continue to consistently pursue the further development of NORD/LB and thus the implementation of our strategic initiatives in order to further increase our operating profitability. We want to expand our customer business in our core business segments - while maintaining our proven conservative risk policy."

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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 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 FINANCIAL YEAR 2023

INCOME STATEMENT (IFRS, in million euros)	2023	2022	Change in million euros	Change in %
Net interest income	1 076	896	180	20
Net commission income	209	166	43	26
Profit/loss from fair value measurement	- 105	- 104	- 1	1
Risk provisions	- 99	142	- 241	> 100
Disposal profit/loss from financial instruments not measured at fair value through profit or loss	14	- 33	47	> 100
Profit/loss from hedge accounting	19	20	- 1	- 3
Profit/loss from shares in companies	94	7	87	> 100
Profit/loss from investments accounted for using the equity method	4	34	- 30	- 88
Administrative expenses	- 908	- 909	- 1	-
Other operating profit/loss	18	- 48	66	> 100
Profit before restructuring, transformation and taxes	322	171	151	88
Result from restructuring and transformation	- 52	- 67	15	- 23
Earnings before taxes	271	104	167	> 100
Income taxes	- 47	- 15	- 32	> 100
Consolidated profit/loss	224	89	135	> 100
Other comprehensive income (OCI)	319	319	0	-
Comprehensive income for the period under review	543	408	135	33

Rounding differences; unaudited figures

BALANCE SHEET FIGURES (IFRS, in million euros)	31.12. 2023	31.12. 2022	Change in million euros	Change in %
Total assets	111 981	109 325	2 656	2
Equity	6 865	6 300	565	9

unaudited figures

REGULATORY KEY FIGURES (CRR / CRD IV / IFRS)	31.12. 2023	31.12. 2022	Change in million euros	Change in %
CET1 capital (in € million)	6 147	6 051	96	2
Own funds (in € million)	7 000	7 441	- 441	- 6
Total risk exposure amount (in € million)	40 448	40 142	306	-
CET1 capital ratio ¹ (in %)	15,2	15,1		
Total capital ratio ² (in %)	17,3	18,5		
Leverage ratio (in %)	5,5	5,5		

¹ CET1 Capital Ratio; ² Total Regulatory Capital Ratio; unaudited figures