# Presse-Information

NORD/LB Luxembourg

Luxembourg, 30 April 2015

**Implementation of strategic realignment proceeding according to plan**
**Satisfactory results in financial year 2014**

NORD/LB Luxembourg has closed the financial year 2014 with a profit of 37.6 million euros, thereby significantly exceeding the overall results of 2013 (15.2 million euros). Christian Veit, CEO of NORD/LB Luxembourg, is satisfied with the performance of the business: “We are earning solid profits and our business model is firmly established within the Group.”

At 16.7 billion euros, the balance sheet total fell slightly short of the previous year’s level (16.8 billion euros). Structural changes in the balance sheet highlight the increased concentration on customer-oriented business, which forms the basis of the bank’s Pfandbrief (covered bond) activities. While loans and advances to banks (1.4 billion euros) decreased by 35 percent and financial assets (7.3 billion euros) by 18 percent, loans and advances to customers (6.2 billion euros) registered a 20 percent growth as compared to the reporting date of the previous year. On the liabilities side, refinancing was redeployed in securitised liabilities (2.7 billion euros) and liabilities to customers (3.1 billion euros) at the expense of liabilities to banks (8.9 billion euros). Issued lettres de gage were also reported in the first two items referred to here.

Although a very encouraging performance was reported in new customer business, net interest income (92.1 million euros) declined in comparison to the previous year (-6 percent). Among other things, this was due to the interest rate level falling once again and to the high margin pressure in the lending business. In addition, the way results are reported has changed as a consequence of the reduction in securities held in the “Available for Sale” (“AfS”) category and the allocation of new commitments to the

“Designated at Fair Value” category. The interest profit/loss from this category of securities is reported in the valuation result.

Net commission income improved slightly to -17.5 million euros. Essentially, revenue from loan commission is reconciled here with commission paid to the parent company of the group, NORD/LB, in connection with the allied business. Sales activities provided pleasing impetus in this component of the results (sales commission 3.1 million euros).

The scheduled sale of AfS positions plus a one-off effect in the form of the deconsolidation of Skandifinanz AG (the sale of which took place in the first quarter of 2015) had a positive impact on the profit/loss from financial assets. The repayment of a long-term liability prior to the due date and value adjustments regarding positions in the Loans & Receivables category had the opposite effect.

Risk provisions in the lending business contributed to a net reduction of 9.1 million euros.

Other operating profit/loss (-2.2 million euros) is characterised by expenses from accounting for services with the Group as well as revenue from the reversal of provisions.

Administrative expenses (-43.2 million euros) were up slightly on the previous year. In particular, this was due to expenditures related to the spin-off of the Private Banking business segment into an independent company with effect from the end of financial year 2014.

With regard to the current realignment Christian Veit explains:

“Over the course of the first half year, the legal merger of NORD/LB CFB into its parent company, NORD/LB Luxembourg, will be completed with retrospective effect from 01.01.2015 in terms of accounting. The new bank will be trading under the name “NORD/LB Luxembourg S.A. Covered Bond Bank” and will further develop covered bond activities. The existing portfolios of both banks are being continued and commitments from the Group that are eligible for the cover pool will be pooled in Luxembourg. NORD/LB Covered Finance Bank is currently the bank that is the most active in the segment of issuing lettres de gage on the market.

We are quite aware that the road to full implementation of the new strategic realignment is and will remain extremely demanding for our very committed and motivated staff, despite receiving professional support from our external partners. For subsidiary banks striving for a sustained stronger position within their groups, standing still has not been an option for many years."

Thorsten Schmidt, Deputy CEO of NORD/LB Luxembourg, adds:

"The issue of a lettre de gage publique (public sector covered bond) with a volume of 500 million euros and a dividend coupon of 0.25 percent that was undertaken in March 2015 was the successful debut of NORD/LB CFB as the benchmark issuer on the covered bond market in euros. In the meantime, NORD/LB CFB has issued customised solutions for investors as private placements. We are proceeding on the assumption that the importance of our Luxembourg Pfandbrief product will grow. The aim is to establish a covered bond curve in Luxembourg. We have the opportunity to present ourselves once or twice a year to the investing public. Our business model creates the conditions for structural growth and a higher issue volume. The strict cost management strategy already started will continue to be pursued consistently through the merger of the two banks and the associated synergy effects."

Since the special bank principle for Luxembourg covered finance banks does not allow the operation of private customer business (consultancy, asset management), the spin-off of Private Banking was a strict auxiliary condition for carrying out the merger. In order to meet this condition, the Private Banking segment was already hived off into its own Luxembourg enterprise with effect from the end of financial year 2014. This company is called "NORD/LB Vermögensmanagement Luxembourg S.A." and was set up as a subsidiary of NORD/LB.

In the future, the business segments of NORD/LB Luxembourg S.A. Covered Bond Bank will be split into three clearly distinct divisions:

**Loans**

- Allied lending business with other units in the group, predominantly in the Corporate Customers and Structured Finance divisions

**Financial Markets & Sales**

- Issuing of covered bonds (Pfandbriefe) as a complementary component of the funding of the group
- Interest rate, liquidity and currency management
- Fixed Income Sales Europe

**Client Services & B2B**

- Full range of services for external asset managers such as account keeping and custodian function
- Provision of additional services in B2B sector for units in the Group and external customers

The first quarter of 2015 got off to a good start in terms of operational activities, indicating a stable business development. Overall, the resource-intensive merger project will have an impact on financial year 2015. The exit from the low interest phase in the Eurozone is also still a long way off. The Bank nevertheless expects to be able to achieve a satisfactory result in 2015.

Further information and the full sub-group report for the year ended 31 December 2014 are available at www.nordlb.lu.

*Norddeutsche Landesbank Luxembourg S.A. is a wholly owned subsidiary of Norddeutsche Landesbank Girozentrale, Hanover. NORD/LB Luxembourg itself is the parent company of a group with two subsidiaries. The information in this press release relates to the consolidated results of the Group ("Bank" or "NORD/LB Luxembourg").*

**Summary of Key Data**

**Norddeutsche Landesbank Luxembourg S.A.**

(Information in accordance with IFRS, consolidated financial statements)

| Euro million | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Profit/loss from interest | 92.1 | 97.8 |
| Profit/loss from commission | -17.5 | -18.1 |
| Profit/loss from financial assets | 4.2 | -15.6 |
| Other profit/loss | -2.2 | -1.7 |
| Administrative expenses | -43.2 | -42.5 |
| Profit/loss from changes in valuation and risk provisions | 10.4 | -5.6 |
| Taxes | -7.3 | -0.3 |
| **Result from continuing operations after taxes** | **36.5** | **14.0** |
| Result from discontinued operations * | 1.1 | 1.2 |
| **Earnings after taxes** | **37.6** | **15.2** |

* The result from discontinued operations relates to the activities hived off to NORD/LB Vermögensmanagement Luxembourg S.A. at the end of 2014.

| | 31.12.2014 | 31.12.2013 |
|---|---|---|
| Balance sheet total (euro billion) | 16.7 | 16.8 |
| Core capital ratio | 14.1% | 15.6% |