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NORD/LB CBB posts good growth in its customer business

NORD/LB Luxembourg S. A. Covered Bond Bank (NORD/LB CBB) closed the first half of 2016 with profit of EUR 25.4 million. Christian Veit, CEO of NORD/LB CBB: “NORD/LB CBB is well on track as of the middle of the first full financial year following NORD/LB’s realignment to the financial centre of Luxembourg”.

In the first half of 2016, NORD/LB CBB further expanded its focus on customer business. Customer business volumes (loans and advances to customers and irrevocable credit commitments) increased by 14 per cent in the first half of 2016. In the same period, the volume of Lettres de Gages (“securitised liabilities” and registered Covered Bonds from “liabilities to customers”) expanded by EUR 0.7 billion. Despite this growth, total assets rose only modestly by EUR 0.4 billion (2.5 per cent) to EUR 16.2 billion.

Earnings performance at the end of the first half-year is satisfactory. Despite low interest rates and challenging market conditions, net interest income and net commission income were up by around 5 per cent on the previous year. Earnings from financial investments were almost double the figure from the previous year.

In respect of other earnings, it should be noted that the 2015 figure included extraordinary positive effects in connection with the merger of NORD/LB Covered Finance Bank S.A. with Norddeutsche Landesbank

Luxembourg S.A. to become NORD/LB Luxembourg S.A. Covered Bond Bank.

Administrative expenses fell by 13 per cent to EUR 18.5 million as compared to the same period last year.

The valuation of financial instruments at fair value through profit and loss and risk provisions totalled EUR 18.6 million. This amount includes the trading profit/loss proper, income from financial instruments voluntarily designated under the fair value option, and risk provisions.

Tax expenses were EUR 7.6 million higher than in the previous year. The main reason for this was the loss of special tax effects from the merger of the two predecessor banks in the previous year to become NORD/LB CBB.

“We are very happy with our performance in the first half of the year,” said Christian Veit, CEO of NORD/LB CBB. “Although we’ve been operating under the new business model for only about a year now, we’ve already posted some notable successes.”

Thorsten Schmidt, Deputy CEO of NORD/LB CBB, added: “The first six months of 2016 were driven by another successful benchmark issue, several private placements and the focus on projects to strengthen our business model. For example, NORD/LB CBB will continue the task of generating additional covered refinancing for the core activities of the NORD/LB Group by issuing Covered Bonds under Luxembourg law.”

Other information including the full report as at 30 June 2016 can be found at www.nordlb.lu.

NORD/LB Luxembourg S.A. Covered Bond Bank is a wholly owned subsidiary of Norddeutsche Landesbank Girozentrale, Hanover.

Summary of key data *

NORD/LB Luxembourg S.A. Covered Bond Bank

(Data in accordance with IFRS, consolidated financial statements)

Business performance	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change (in EUR million)	Change (in %)
Loans and advances to banks	1,430.0	1,510.0	-80.0	-5
Loans and advances to customers	7,596.9	6,768.8	828.1	12
Risk provisions	-21.5	-39.9	18.4	-46
Financial investments	5,492.8	5,846.2	-353.5	-6
Other assets	1,716.6	1,746.6	-30.0	-2
Total assets	16,214.8	15,831.8	383.0	2
Liabilities to banks	7,219.9	7,626.4	-406.4	-5
Liabilities to customers	3,115.4	3,221.4	-106.0	-3
Securitised liabilities	3,400.5	3,114.2	286.3	9
Other liabilities	1,733.3	1,169.5	563.9	48
Reported equity	745.6	700.3	45.3	6
Total liabilities	16,214.8	15,831.8	383.0	2

Earnings performance	First half of 2016 (EUR thousands)	First half of 2015 (EUR thousands)	Change (EUR thousands)	Change (in %)
Net interest income	45,033	44,053	980	2
Net commission income *)	-12,244	-12,907	663	-5
Earnings from financial investments	5,415	2,781	2,635	95
Other earnings	-2,752	12,111	-14,863	< -100
Earnings before costs	35,452	46,037	-10,585	-23
Administrative expenses	-18,450	-21,328	2,878	-13
Earnings from valuation changes and risk provisions	18,623	545	18,077	> 100
Taxes	-10,200	-2,537	-7,662	> 100
Earnings after taxes	25,424	22,717	2,708	12

*) Includes commission expenses from margin sharing

Key performance indicators	First half of 2016	First half of 2015	Change	Change (in %)
Cost/income ratio in % **)	39.2 %	43.7 %	-4.5 %	-10
RoRaC in % ***)	18.2 %	10.9 %	7.3 %	67

*) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components.

***) The RoRaC is the ratio of earnings before taxes to the maximum value of the limit for committed capital or committed capital.

Key regulatory indicators	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change (in EUR million)	Change (in %)
Risk-weighted asset values	4,281.4	4,139.6	141.8	3
Core capital	624.5	629.5	-3.8	-1
Equity capital	651.8	674.8	-21.8	-3
Core capital ratio	14.6%	15.2%	-0.6%	-4
Overall coefficient	15.2%	16.3%	-1.1%	-6

Workforce	30.06.2016	31.12.2015	Change	Change (in %)
Number of employees ****)	179	175	4	2

****) Headcount (FTE) on permanent contracts