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NORD/LB CBB presents annual results for 2016

- Customer loans business grows further by € 1.5 billion
- Profit after tax down slightly at € 31.2 million

NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) closed financial year 2016 with a net profit of € 31.2 million (previous year: 32.1 million). NORD/LB CBB, domiciled in Luxembourg, is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale.

“The satisfactory result as of the end of a challenging 2016 confirmed our strategy,” said Thorsten Schmidt, Member of the Managing Board of NORD/LB CBB.

Total assets amounting to € 15.9 billion remained virtually unchanged (previous year: 15.8 billion). As in the previous year, an increase in the customer loans business to € 8.2 billion (+1.5 billion) was once again able to offset the decline in financial assets (-0.8 billion) in the 2016 financial year. The largely unchanged Tier 1 capital results in a Tier 1 capital ratio of 14.8 per cent (previous year: 15.2 per cent).

In a persistently tough interest environment, net interest income decreased only slightly by 2.9 per cent on the previous year.

Compared with the same period of the previous year, net commission income fell by € 17.8 million to € -41.2 million. The drop in net commission income is mainly a result of the expenses related to the significant increase in the volume of loans brokered by the Group.

Portions of the margin are transferred to NORD/LB AöR under a margin-sharing arrangement.

Due to stringent cost management measures, administrative expenses of € 36.9 million could be decreased significantly by 16 per cent.

“In times of political and economic uncertainty, values such as continuity and reliability are in high demand. The upheavals of 2016 showed us that we have to be ready for the unexpected at all times. The Pfandbrief as a safe haven is therefore still a priority in the planning of institutional investors. At the same time, however, Pfandbrief banks also find themselves confronted by a constant stream of new regulatory requirements. This is why we vigorously promoted the concept of Rethink Covered Banking in 2016,” explained Schmidt.

Stabilise the structure, expand the Pfandbrief business and improve the IT infrastructure

“In order to remain successful in this difficult market environment, the coming year will be shaped by the cooperation with the NORD/LB Group, the expansion of the Pfandbrief business and the further development of the IT infrastructure,” said Schmidt. “Our Lettres de Gage – Pfandbriefe under Luxembourg law – will be needed because safe forms of investment in today’s market environment play an important role for our investors. The continued expansion of sales activities and the focus on the customer business will further increase the profitability of the business model. We are also planning to access the market again in 2017 with various issues in the form of private placements and benchmark issues,” explained Schmidt. Issues of Lettres de Gage generate covered refinancing for the core business and diversify the funding mix of the Group.

Other information including the full report as at 31 December 2016 can be found at www.nordlb.lu.

Summary of key data

NORD/LB Luxembourg S.A. Covered Bond Bank

(Data in accordance with IFRS)

Business performance	31.12.16 (in € million)	31.12.2015 (in € million)	Change (in € million)	Change (in %)
Loans and advances to banks	1,240.5	1,510.0	-269.5	-18
Loans and advances to customers	8,242.2	6,768.8	1,473.4	22
Loan loss provisions	-23.3	-39.9	16.6	-42
Financial assets	5,030.8	5,846.2	-815.4	-14
Other assets	1,446.0	1,746.6	-300.6	-17
Total assets	15,936.2	15,831.8	104.4	1
Liabilities to banks	6,612.1	7,626.4	-1,014.3	-13
Liabilities to customers	3,412.8	3,221.4	191.4	6
Securitised liabilities	3,221.8	3,114.2	107.6	3
Other liabilities	1,978.1	1,169.5	808.6	69
Reported equity	711.4	700.3	11.1	2
Total liabilities and equity	15,936.2	15,831.8	104.4	1

Earnings performance	2016 (€ thousand)	2015 (€ thousand)	Change (€ thousand)	Change (in %)
Net interest income	90,356	93,316	-2,960	-3
Net commission income	-41,249	-23,406	-17,843	76
Profit/loss from financial assets	4,927	9,845	-4,918	-50
Other profit/loss	-3,295	-810	-2,485	> 100
Earnings before costs	50,740	78,946	-28,206	-36
Administrative expenses	-36,913	-44,090	7,177	-16
Profit/loss from valuation changes and risk provisions	29,143	7,690	21,453	> 100
Taxes	-11,746	-10,444	-1,301	12
Earnings after taxes	31,224	32,102	-878	-3

Key performance indicators	2016	2015	Change (absolute)	Change (in %)
Cost/income ratio in %*	50.5%	50.7%	-0.2%	-0
RoRaC in %**	11.0%	9.2%	1.8%	20

*) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components. (See also Note (15))

***) The RoRaC is the ratio of earnings before taxes to the maximum value of the limit for committed capital or committed capital. (See also Note (15))

Press information

Key regulatory indicators	31.12.16 (in € million)	31.12.2015 (in € million)	Change (in € million)	Change (in %)
Total risk exposure amount	4,209.7	4,139.6	70.1	2
Tier 1 capital	625.1	629.5	-4.4	-1
Own funds	649.1	674.8	-25.7	-4
Common equity tier 1 capital ratio	14.8%	15.2%	-0.4%	-2
Total capital ratio	15.4%	16.3%	-0.9%	-5