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NORD/LB CBB still on track

NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) closed the first half of 2017 with a profit of EUR 11.5 million. “Half-way through what is again a challenging year in 2017, after 2016, NORD/LB CBB is still making good progress”, explained Thorsten Schmidt, Member of the Managing Board of NORD/LB CBB.

In the first half of 2017, NORD/LB CBB further expanded its focus on its core business. The volume of Lettres de Gages (“securitised liabilities” and registered Pfandbriefe from “liabilities to customers”) rose by four per cent. Total assets in the first six months of 2017 fell slightly by one per cent to EUR 15.9 billion.

Earnings performance at the end of the first half-year is very satisfactory. This is because despite the low interest rates and the still challenging market conditions, net interest income was increased by roughly 24 per cent to EUR 56 million compared to the previous year.

Administrative expenses rose slightly by 10 per cent to EUR 20.4 million as compared to the same period last year. Costs in connection with implementing supervisory requirements were the primary reason for this increase.

After some very encouraging contributions to earnings in previous years, the valuation result from financial instruments measured at fair value through profit and loss, hedge accounting and risk provisions totalled EUR -1.2 million in the first six months of 2017. This amount includes the trading profit/loss proper, profit/loss from financial instruments voluntarily designated under the fair value option, and risk provisions.

Press information

Income taxes fell compared to the previous year by EUR 6.4 million, and are therefore consistent with the modest drop in earnings performance.

“We are satisfied with our performance in the first half of the year. While our earnings are marginally down, we managed to continue expanding our business model and are enjoying some successes”, explained Manfred Borchardt, Member of the Managing Board at NORD/LB CBB.

Thorsten Schmidt, Member of the Managing Board of NORD/LB CBB, added: “The benchmark issues of Nord/LB CBB put in a good performance in the first six months of the year. For example, the 4.5-year benchmark issue placed in February generated an order book of around EUR 1.5 billion. This three-fold over-subscription shows that investor interest in Luxembourg covered bonds is still high, especially because Nord/LB CBB is currently the only issuer of Lettres de Gage publiques. The low volume of secondary market sales in the current benchmark issues demonstrates that investors are convinced of the quality of the cover pool and happy with NORD/LB CBB as the issuer.”

Other information including the full report as at 30 June 2017 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	30.06.2017 (in € million)	31.12.2016 (in € million)	Change (in € million)	Change (in %)
Loans and advances to banks	1,528.6	1,240.5	288.1	23
Loans and advances to customers	7,978.2	8,242.2	-263.9	-3
Risk provisioning	-25.9	-23.3	-2.5	11
Financial assets	4,469.8	5,030.8	-561.1	-11
Other assets	1,905.4	1,446.0	459.4	32
Total assets	15,856.2	15,936.2	-80.0	-1
Liabilities to banks	6,576.9	6,612.1	-35.2	-1
Liabilities to customers	3,104.5	3,412.8	-308.3	-9
Securitised liabilities	3,630.2	3,221.8	408.4	13
Other liabilities	1,860.1	1,978.1	-118.0	-6
Reported equity	684.6	711.4	-26.8	-4
Total liabilities and equity	15,856.2	15,936.2	-80.0	-1

Earnings performance	First half of 2017 (€ thousand)	First half of 2016 (€ thousand)	Change (€ thousand)	Change (in %)
Net interest income	56,034	45,033	11,001	24
Net commission income *)	-15,773	-12,244	-3,529	29
Profit/loss from financial assets	1,669	5,415	-3,746	-69
Other profit/loss	-5,103	-2,752	-2,351	85
Earnings before costs	36,827	35,452	1,376	4
Administrative expenses	-20,338	-18,450	-1,887	10
Profit/loss from valuation changes and risk provisions	-1,224	18,623	-19,847	< -100
Taxes	-3,780	-10,200	6,419	-63
Earnings after taxes	11,485	25,424	-13,939	-55

*) Includes commission expenses from margin sharing

Key performance indicators	First half of 2017	First half of 2016	Change	Change (in %)
Cost/income ratio in % **)	55.9%	39.2%	16.7	43
RoRaC in % ***)	8.4%	18.2%	-9.8	-54

***) 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	30.06.2017 (in € million)	31.12.2016 (in € million)	Change (in € million)	Change (in %)
Total risk exposure amount	4,311.5	4,209.7	101.8	2
Tier 1 capital	621.5	625.1	-3.6	-1
Own funds	638.3	649.1	-10.8	-2
Tier 1 capital ratio	14.4%	14.8%	-0.4%	-3
Overall coefficient	14.8%	15.4%	-0.6%	-4

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Workforce	30.06.2017	31.12.2016	Change	Change (in %)
Number of employees	194	186	8	4