Press information

NORD/LB
Covered Bond Bank
Luxembourg

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NORD/LB CBB presents annual results for 2017

- Issue volume of Lettres de Gages Publiques continues to rise
- Profit after tax down slightly at € 29.3 million

NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) closed the financial year 2017 with a net profit of € 29.3 million (previous year: € 31.2 million). NORD/LB CBB, domiciled in Luxembourg, is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale.

Total assets amounting to € 15.4 billion were down only marginally (previous year: € 15.9 billion). In the financial year 2017 the customer loans business grew to € 8.6 billion (+€ 0.4 billion). The largely unchanged Tier 1 capital results in a Common equity Tier 1 capital ratio of 14.7 percent (previous year: 14.8 percent).

Net interest income was increased compared to the previous year by € 18.6 million to € 108.9 million, in spite of the difficult interest environment. This corresponds to a change of 21 percent. The decline in interest expense from derivatives was instrumental in the rise of net interest income.

Compared with the same period of the previous year, **net commission income** rose by € 2.8 million to € -38.5 million. This was caused overall by an improved result from the lending and guarantee business (€ -4.1 million; previous year € -9.9 million).

Profit/loss from **financial instruments at fair value** through profit or loss (€ 3,9 million, previous year: € 29.3 million) shows the trading profit/loss proper and the profit/loss from financial instruments voluntarily designated under the fair-value option. While the trading profit exhibited an encouraging trend (€ 5.3 million; previous year € 2.4 million), the profit/loss from the fair value option (€ 0.212 million; previous year € 22.9 million) suffered a significant decline.

Administrative expenses were € 5.8 million higher than in the previous year. This was partly caused by a marked increase in amortisation and depreciation as well as valuation allowances (€ -3.8 million; previous year: € -2.9 million), and partly by an increase in other administrative expenses (€ -16.0 million; previous year € -12.4 million), which were driven not only by higher costs for legal, auditing, appraisal and consulting services (€ -3.8 million; previous year € -2.1 million) but also and primarily by expenses for operating and office equipment, including IT (€ -10.4 million; previous year: € -8.4 million).

"In 2017 we focused rather intensively on the further development of our business model, on sustainability, and on the challenges posed by digitalisation. We are also working actively on the change processes under way within the NORD/LB Group. This relates in particular to the projects entitled "NeoFlux" (Innovation and Strengthening of Lettres de Gage) and "Helios" (core banking IT platform for NORD/LB branches) as well as to digitalisation in factoring", revealed Thorsten Schmidt, Member of the Managing Board at NORD/LB CBB.

"In spite of the pressure on margins and the low interest rates, NORD/LB CBB is still turning a profit. We consider ourselves as manufactory and high-quality service provider within the Group, and last year again we put many successful and innovative financing platforms in place for our customers", said Manfred Borchardt, Member of the Managing Board at NORD/LB CBB.

Luxembourg will be the first country in the world to implement legal standards on green bonds, including in the form of a new category of Pfandbrief, the Lettre de Gage Renouvable. "Issues of Lettres de Gage facilitate covered refinancing for the core business and diversify the funding mix of the Group. Our Luxembourg Pfandbriefe will therefore play an important role in 2018 as well, serving as a secure form of investment and source of refinancing for our investors and the Group", said Schmidt.

Other information and the full report as at 31 December 2017 can be found at www.nordlb.lu.

Summary of key data

NORD/LB Luxembourg S.A. Covered Bond Bank

Business performance	31.12.2017 (in € million)	31.12.2016 (in € million)	Change (in € million)	Change (in %)
Loans and advances to banks	796.4	1,240.5	-444.1	-36
Loans and advances to customers	8,632.2	8,242.2	390.0	5
Risk provisioning	-7.6	-23.3	15.8	-68
Financial assets	4,178.2	5,030.8	-852.6	-17
Other assets	1,761.4	1,446.0	315.3	22
Total assets	**15,360.6**	**15,936.2**	**-575.6**	**-4**
Liabilities to banks	6,011.1	6,612.1	-601.0	-9
Liabilities to customers	3,210.7	3,412.8	-202.2	-6
Securitised liabilities	3,750.0	3,221.8	528.2	16
Other liabilities	1,686.0	1,978.1	-292.1	-15
Reported equity	702.8	711.4	-8.6	-1
Total liabilities and equity	**15,360.6**	**15,936.2**	**-575.6**	**-4**

Earnings performance	2017 (€ thousand)	2016 (€ thousand)	Change (€ thousand)	Change (in %)
Net interest income	108,908	90,356	18,551	21
Net commission income	-38,450	-41,249	2,799	-7
Profit/loss from financial assets	18,713	4,927	13,785	> 100
Other profit/loss	-8,440	-3,295	-5,145	> 100
Earnings before costs	**80,730**	**50,740**	**29,990**	**59**
Administrative expenses	-42,756	-36,913	-5,843	16
Profit/loss from valuation changes and risk provisions	2,363	29,143	-26,780	-92
Taxes	-11,013	-11,746	733	-6
Earnings after taxes	**29,324**	**31,224**	**-1,900**	**-6**

Key performance indicators	31.12.2017	31.12.2016	Change (absolute)	Change (in %)
Cost/income ratio in %*	64.8	49.1	15.7	32
RoRaC in %**	11.1	11.0	0.1	1

*) The cost/income ratio (CIR) is the ratio of administrative expenses to the total of net interest income, net commission income, trading and valuation profit/loss (excluding the profit/loss from financial assets) and other operating profit/loss. (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))

Key regulatory indicators	31.12.2017 (in € million)	31.12.2016 (in € million)	Change (in € million/%)	Change (in %)
Total risk exposure amount	4,244.4	4,209.7	34.7	1
Tier 1 capital	624.8	625.1	-0.3	0
Own funds	627.3	649.1	-21.8	-3
Common equity tier 1 capital ratio	14.7 %	14.8 %	-0.1 %	-1
Total capital ratio	14.8 %	15.4 %	-0.6 %	-4