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NORD/LB CBB presents results for first half of 2018

NORD/LB Luxembourg S.A. Covered Bond Bank NORD/LB CBB closed the first half of 2018 with a loss in the amount of € 12.9 million. “The current result is almost exclusively due to temporary valuation issues. Despite the fact that we recorded a slight contraction in the operating result, we were able to expand our business model further and can report a number of successes. We are satisfied with the performance over the first half of 2018,” explains Manfred Borchardt, a Member of the Managing Board of NORD/LB CBB.

Operating earnings performance at the end of the first half remains satisfactory. Despite the low interest rates and persistently challenging market environment, total assets fell only slightly on the prior-year value to € 15.0 billion (first half of 2017: € 15.8 billion). Net interest income was held more or less steady despite the slip in total assets.

Administrative expenses were reduced as a result of the Group-wide cost programme OneBank, down by 6 per cent on the first half of 2017 to € 19.2 million.

After positive earnings contributions over recent years, taken together the valuation of financial instruments at fair value through profit and loss, hedge accounting and risk provisions totalled € -25.3 million in the first half of 2018.

This amount includes the trading profit/loss proper, income from financial instruments and risk provisions measured at fair value. The current result includes € -7.7 million from hedge accounting.

The trading profit/loss of € -14.3 million is fully attributable to cross currency basis effects from hedging transactions for FX risks in strategic credit business.

Thorsten Schmidt, a Member of the Managing Board of NORD/LB CBB, added: "In recent years we concentrated on establishing a Lettres de Gage benchmark curve in euros. In February of this year, we placed a US dollar benchmark issue on the market. This is the first Lettres de Gage US dollar issue since 2007. The bond in the amount of USD 650 million with a 3-year maturity was a complete success. 34 investors from 14 countries ensured an order book of more than a billion US dollars. The lion's share of investors were Scandinavian (42 per cent), followed by German investors (21 per cent) and French buyers (16 per cent). This issue was a further successful step by NORD/LB CBB and thus for the NORD/LB Group for the diversification of its investor base."

Further information including the full report as at 30 June 2018 can be found at www.nordlb.lu.

NORD/LB CBB, domiciled in Luxembourg, is a wholly owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale.

Press Release

Summary of key data *

NORD/LB Luxembourg S.A. Covered Bond Bank

(data in accordance with IFRS)

| Business performance | 30.06.2018 (in € million) | 31.12.2017 (in € million) | Change (in € million) | Change (in %) |
|---|------------------------------|------------------------------|--------------------------|------------------|
| Cash reserve | 471.3 | 448.3 | 23.0 | 5 |
| Trading assets | 161.9 | 128.3 | 33.6 | 26 |
| Financial assets requiring measurement at fair value through profit or loss | 1,024.3 | 943.3 | 81.0 | 9 |
| Financial assets at fair value through other comprehensive income | 2,103.9 | 2,199.8 | -95.9 | -4 |
| Financial assets at amortised cost | 11,448.5 | 11,350.9 | 97.6 | 1 |
| Positive fair values from hedge accounting derivatives | 221.4 | 219.8 | 1.6 | 1 |
| Other assets | 101.4 | 91.9 | 9.5 | 10 |
| Total assets | 15,532.6 | 15,382.3 | 150.2 | 1 |
| Trading liabilities | 88.7 | 78.6 | 10.1 | 13 |
| Financial liabilities designated at fair value through profit or loss | 1,607.6 | 1,043.3 | 564.3 | 54 |
| Financial liabilities at amortised cost | 12,676.7 | 12,971.7 | -295.1 | -2 |
| Negative fair values from hedge accounting derivatives | 433.1 | 514.0 | -80.9 | -16 |
| Provisions | 13.9 | 14.5 | -0.6 | -4 |
| Other liabilities | 40.3 | 41.8 | -1.4 | -3 |
| Reported equity | 672.3 | 718.5 | -46.2 | -6 |
| Total liabilities and equity | 15,532.6 | 15,382.3 | 150.2 | 1 |

| Earnings performance | First half of 2018 (€ thousand) | First half of 2017 (€ thousand) | Change (€ thousand) | Change (in %) |
|--|------------------------------------|------------------------------------|------------------------|------------------|
| Net interest income | 53,911 | 56,034 | -2,123 | -4 |
| Net commission income *) | -22,002 | -15,773 | -6,229 | 39 |
| Profit/loss from the fair value measurement | -18,952 | 5,928 | -24,880 | < -100 |
| Adjustment from financial assets not measured at fair value through profit or loss | 1,226 | -884 | 2,110 | < -100 |
| Result from financial assets not measured at fair value through profit or loss | 0 | -236 | 236 | < -100 |
| Profit/loss from hedge accounting | -7,734 | -3,756 | -3,978 | > 100 |
| Foreign exchange result | 143 | -717 | 860 | < -100 |
| Administrative expenses | -17,876 | -18,984 | 1,108 | -6 |
| Amortisation and depreciation | -1,300 | -1,354 | 54 | -4 |
| Other operating profit/loss | -4,802 | -4,993 | 191 | -4 |
| Income taxes | 4,509 | -3,780 | 8,289 | < -100 |
| Earnings after taxes | -12,877 | 11,485 | -24,363 | < -100 |

*) Includes commission expenses from margin sharing

| Key performance indicators | First half of 2018 | First half of 2017 | Change | Change (in %) |
|-----------------------------|--------------------|--------------------|----------|------------------|
| Cost/income ratio in % (**) | 3,404.1% | 55.5% | 3,348.4% | > 100 |
| RoRaC in % (***) | -9.7% | 8.4% | -18.1% | < -100 |

(**) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components (see also Note (5))

(***) 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 (5))

Press Release

| Key regulatory indicators | 30.06.2018 (in € million) | 31.12.2017 (in € million) | Change (in € million) | Change (in %) |
|----------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------|
| Total risk exposure amount | 4,269.4 | 4,244.4 | 25.0 | 1 |
| Tier 1 capital | 608.1 | 624.8 | -16.7 | -3 |
| Own funds | 608.2 | 627.3 | -19.0 | -3 |
| Tier 1 capital ratio | 14.2% | 14.7% | -0.5% | -3 |
| Total capital ratio | 14.3% | 14.8% | -0.5% | -4 |

| Workforce | 30.06.2018 | 31.12.2017 | Change | Change (in %) |
|---------------------|-------------------|-------------------|---------------|--------------------------|
| Number of employees | 183 | 194 | -11 | -6 |