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NORD/LB CBB presents annual results for 2018

NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) ended financial year 2018 with a profit of € 1.1 million. “We are very pleased with our performance in H2 2018 and despite a negative result in H1 of € 12.9 million, we ended the financial year with a small gain and a satisfactory capital adequacy level of 13.8%,” said Manfred Borchardt, a Member of the Managing Board of NORD/LB CBB.

The operating result was also positive at the end of the financial year. Despite persistently low interest rates and still very challenging market conditions, NORD/LB CBB increased net interest income by € 5.0 million to € 113.9 million. Total assets therefore also rose significantly to € 17.2 billion compared with H1 2018 (H1 2018: € 15.4 billion). This was primarily due to new lending business as well as short-term borrowing and financial investments by NORD/LB CBB. The quality of the Bank’s loan portfolio continued to improve in financial year 2018, generating income of € 5.2 million from lower default risks and the subsequent reduction in risk provisioning.

Administrative expenses decreased under the Group-wide cost programme One Bank, falling year on year by around 1 per cent to € 38.4 million. The reduction in staff expenses from the multi-stage restructuring process had a tangible positive impact on the result, but this was offset by a rise in other administrative expenses, such as for the implementation of projects.

The € 7.7 million loss from hedge accounting and € 25.1 million trading loss had a negative impact on the annual result. These changes were essentially due to catch-up effects from positive hedge results in previous years and to unhedgeable baseline effects from hedging transactions of foreign currencies in the trading result.

A much higher bank levy of € 5.4 million (prior year: € 4 million) also impacted negatively on other operating profit.

Thorsten Schmidt, a Member of the Managing Board of NORD/LB CBB:

“Despite the challenging restructuring process in the NORD/LB Group, we were able to turn our attention to the future in 2018 and achieved good results. As such, we can look back on a US dollar benchmark issue that was successfully placed on the market, the first one since 2007. The issue matures in 3 years, has a volume of USD 650 million and carries an annual coupon of 2.87 per cent. This benchmark was only possible thanks to all the staff in CBB who work hard and show dedication every day.”

Further information including the full report as at 31 December 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.

Summary of key data

NORD/LB Luxembourg S.A. Covered Bond Bank

(data in accordance with IFRS)

Business performance	31.12.18 (in € million)	31.12.17 (in € million)	Change (in € million)	Change (in %)
Cash reserve	443.4	448.3	-4.9	-1
Trading assets	191.2	128.3	62.9	49
Financial assets at fair value through profit or loss	1,042.3	873.0	169.3	19
Financial assets at fair value through other comprehensive	2,101.7	2,232.2	-130.5	-6
Financial assets at amortised cost	13,103.0	11,367.0	1,735.9	15
Positive fair values from hedge accounting derivatives	218.8	219.8	-1.0	0
Other assets	98.9	91.9	7.0	8
Total assets	17,199.3	15,360.6	1,838.7	12
Trading liabilities	81.1	74.9	6.2	8
Financial liabilities designated at fair value through profit or loss	1,634.1	1,043.3	590.8	57
Financial liabilities at amortised cost	14,320.4	12,971.7	1,348.7	10
Negative fair values from hedge accounting derivatives	438.5	517.7	-79.2	-15
Provisions	9.8	13.9	-4.2	-30
Other liabilities	34.0	36.2	-2.3	-6
Reported equity	681.4	702.8	-21.4	-3
Total liabilities and equity	17,199.3	15,360.6	1,838.7	12

Earnings performance	2018 (€ thousand)	2017 (€ thousand)	Change (€ thousand)	Change (in %)
Net interest income	113,904	108,908	4,996	5
Net commission income	-41,170	-38,450	-2,720	7
Profit/loss from the fair value measurement	-25,120	6,366	-31,486	< -100
Impairment result from financial instruments not measured at fair value through profit or loss	5,153	1,931	3,222	> 100
Disposal profit/loss from financial assets that are not measured at fair value through profit or loss	0	15,142	-15,142	-100
Profit/loss from hedge accounting	-7,628	-1,546	-6,083	> 100
Foreign exchange gain	493	-892	1,385	< -100
Administrative expenses	-38,442	-38,992	550	-1
Amortisation and depreciation	-2,783	-3,764	981	-26
Other operating profit/loss	-3,450	-8,367	4,916	-59
Income taxes	136	-11,013	11,149	< -100
Earnings after taxes	1,092	29,324	-28,231	-96

Key performance indicators	31.12.18	31.12.17	Change (absolute)	Change (in %)
Cost/income ratio in %*	111.3%	64.8%	46.5%	72
RoRaC in %**	0.3%	11.1%	-10.8%	-97

*) For the definition of the cost/income ratio (CIR), see also Note (16).

**) For the definition of see also Note (16).

Key regulatory indicators	31.12.18 (in € million)	31.12.17 (in € million)	Change (in € million / %)	Change (in %)
Total risk exposure amount	4,443.1	4,244.4	198.7	5
Tier 1 capital	613.1	624.8	-11.7	-2
Own funds	613.1	627.3	-14.0	-2
Common Equity Tier 1 capital ratio	13.8%	14.7%	-0.9%	-6
Total capital ratio	13.8%	14.8%	-1.0%	-7

Workforce	31.12.18	31.12.17	Change (absolute)	Change (in %)
Number of employees	173	189	-16	-8