

Luxembourg, 31 August 2015

Midyear result substantiate decision behind strategic reorientation

NORD/LB Luxembourg Covered Bond Bank (NORD/LB CBB) generated profits of EUR 22.7 million during the first half-year 2015. “The results of the first six months of the 2015 financial year show that the strategy of reorienting the covered bond bank’s activities was the right move to make,” states Christian Veit, CEO of NORD/LB Luxembourg S.A. Covered Bond Bank. “Our balance sheet’s structure and our profit/loss figures are in line with our expectations for the merger year and validate the plans we have made for the full fiscal year,” he adds.

NORD/LB CBB has strengthened its standing by concentrating on customer-focused business activities, for example compensating for scaling back its financial assets by expanding lending to customers. Coming in at EUR 16.1 billion, the balance sheet fell just short of the first half-year 2014 figure (EUR 16.7 billion).

Despite very encouraging new developments in the fields of credit and financial markets, net interest income (EUR 44.1 million) was down slightly on the figure achieved a year ago (EUR 44.5 million), as a result of persistently low interest rates. In addition, interest income from designated fair value instruments (posted in the profit/loss figures from financial instruments stated at fair value through profit or loss) came to a total of EUR 6.8 million in the reporting period (previous year: EUR 3.0 million).

Net commission income fell by EUR 3.5 million to EUR -12.9 million. Commission income mainly relates to the lending and guarantee business together with the securities and custodian business. Furthermore, the results were influenced by the inclusion of expenses due to difference in margins and to the commission paid to parent company NORD/LB in connection with jointly managed business operations. Within this specific component of our results, activities in the field of sales provided positive impetus (sales income: EUR 2.3 million).

Profit/loss from financial assets also fell considerably, dropping from EUR 20.8 million to EUR 2.8 million. They were, by and large, derived from a host of bond sales.

Administrative expenses (EUR -21.3 million) remain in line with planning after the merger despite the large number of project-related activities. This figure is expected to fall significantly in the 2016 financial year.

“NORD/LB CBB has had an eventful first half-year in 2015. Effective as of 31 May 2015, the legal entities of Norddeutsche Landesbank Luxembourg S.A. and NORD/LB Covered Finance Bank merged to form a special bank with the name of NORD/LB Luxembourg S.A. Covered Bond Bank. The new company expects to post satisfactory results at the end of the second half-year of 2015,” says Christian Veit. second half-year 2015 will be dominated by measures to put the new business strategy into effect. Christian Veit says, “The merger has created an attractive company for employees, one which offers appealing professional opportunities and which will be the perfect place for young people to benefit from excellent training.”

Thorsten Schmidt, Deputy CEO of NORD/LB Luxembourg S.A. Covered Bond Bank, elaborates: “Our new covered bond bank will

continue to fulfil its brief of generating additional covered financing for the core business of NORD/LB Group via the issuance of covered bonds under Luxembourg law. In the second half-year of 2015, NORD/LB CBB will undertake other issuances in the form of private placements in addition to a benchmark. Furthermore, by merging both of the predecessor banks and creating the associated synergy effects, we are now able to consistently pursue the stringent cost management strategy that we previously adopted.”

Further information such as the complete report dated 30 June 2015 is available at www.nordlb.lu.

NORD/LB Luxembourg S.A. Covered Bond Bank is a wholly-owned subsidiary of Norddeutsche Landesbank Girozentrale, Hanover, Germany.

Summary of key data *

NORD/LB Luxembourg S.A. Covered Bond Bank

(acc. to IFRS, consolidated financial statement)

Balance sheet figures	30/06/2015 (in EUR mill.)	31/12/2014 (in EUR mill.)	Change (in EUR mill.)	Change (in %)
Balance sheet	16,126.5	16,683.7	-557.2	-3
Loans and advances to customers	6,315.0	6,199.1	115.9	2
Liabilities to customers	3,513.6	3,139.4	374.1	12
Equity	718.9	730.0	-11.1	-2

Profit/loss performance	H1 2015 (in KEUR.)	H1 2014 (in KEUR.)	Change (in KEUR.)	Change (in %)
Net interest income	44,053	44,530	-477	-1
Loan loss provisions	-2,242	2,910	-5,152	< -100
Net commission income	-12,907	-9,380	-3,527	38
Profit/loss from financial instruments stated at fair value and hedge accounting	2,787	-2,829	5,615	> -100
Profit/loss from financial assets	2,781	20,812	-18,032	-87
Administrative expenses	-21,328	-19,306	-2,022	10
Other profit/loss	12,111	656	11,455	> 100
Earnings before interest and tax from continued operations	25,254	37,394	-12,140	-32
Taxes	-2,537	-6,234	3,697	-59
Profit/loss from continuing operations after income taxes	22,717	31,159	-8,443	-27
Profit/loss from discontinued operations after income taxes	0	449	-449	-100
Earnings after taxes	22,717	31,609	-8,892	-28

Key economic data	H1 2015	H1 2014	Change	Change (in %)
Cost-income ratio in % *)	45.8%	34.0%	11.7%	34
RoRaC in % **)	10.9%	18.6%	-7.8%	-42

Regulatory law key figures	30/06/2015 (in EUR mill.)	31/12/2014 (in EUR mill.)	Change (in EUR mill.)	Change (in %)
Risk-weighted asset values	4,607.7	4,662.2	-54.6	-1
Core capital	637.2	658.1	-20.8	-3
Equity capital	695.6	723.2	-27.6	-4
Core capital ratio	13.8%	14.1%	-0.3%	-2
Overall coefficient	15.1%	15.5%	-0.4%	-3

* Figures for 30/06/2015 are based on NORD/LB CBB's interim statement Comparative figures for 30/06/2015 are based on Norddeutsche Landesbank Luxembourg S.A.'s consolidated statement.