



Bespoke tailors for our customers

Who we are, what drives us



2 400

corporate customers



240 000

current accounts in the Braunschweig region



5 000

properties financed



535

aircraft financed



1 115

ships financed



>70

savings banks in the savings bank network



6 450

employees

As a commercial bank, NORD/LB provides an attractive and comprehensive offering of financial services to private, corporate and institutional customers as well as to the public sector, in Northern Germany and well beyond this core region. For example, NORD/LB participates in the structured financing of international projects, particularly in the areas of energy, infrastructure, shipping, aircraft and real estate.

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Editorial



Thomas S. Bürkle
Chairman of the Managing Board of NORD/LB, Hanover

2017 was a ground-breaking year for NORD/LB. First of all, we managed to turn a profit again, in spite of risk provisioning in ship financing still being exceptionally high. Secondly, we succeeded in noticeably raising our capital ratios. Thirdly, we were able to scale back our ship finance portfolio much more quickly than we originally planned. And fourthly, we merged Bremer Landesbank with NORD/LB in record time – the first key step in our transformation programme entitled “ONE BANK”, with which we want to streamline and strengthen the entire Group.

Even though NORD/LB is changing, we are holding strong to the areas of business that make up our bank. With this Annual Review we would like to give you some insight into the diversity and strengths of the bank and its business segments. The examples show that we always focus on our customers. We always seek the best solutions for our customers. And that is exactly what we want to be: bespoke tailors for our customers. Give us an opportunity to serve you too!

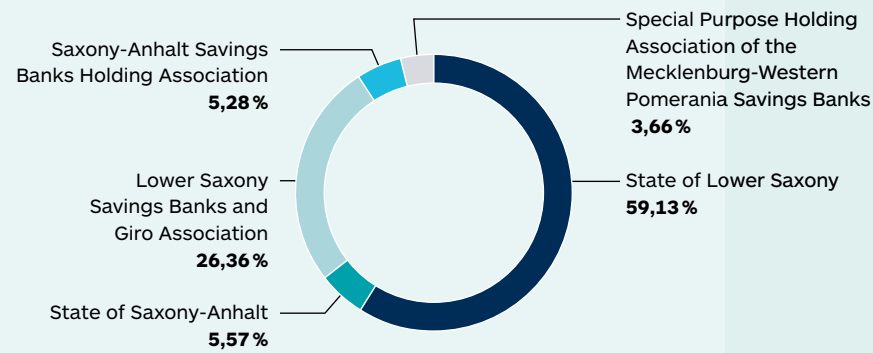
Kind regards,

Thomas S. Bürkle
Chairman of the Managing Board NORD/LB Norddeutsche Landesbank

Represented in important financial and trade centres worldwide

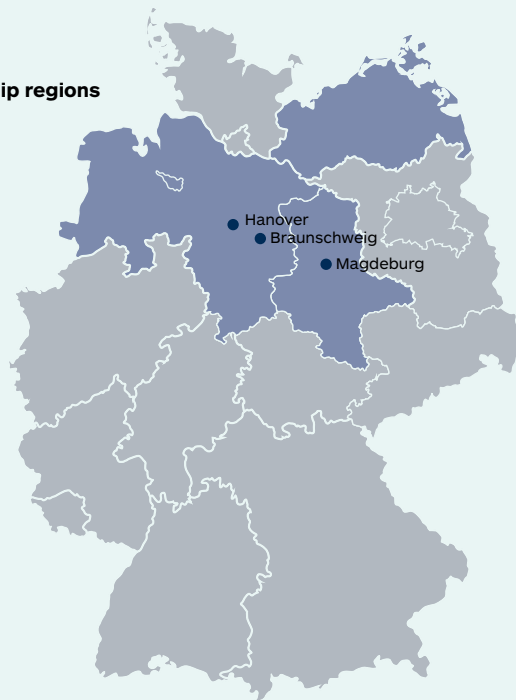
Ownership structure / Headquarters / Ownership regions

Strong support from our owners



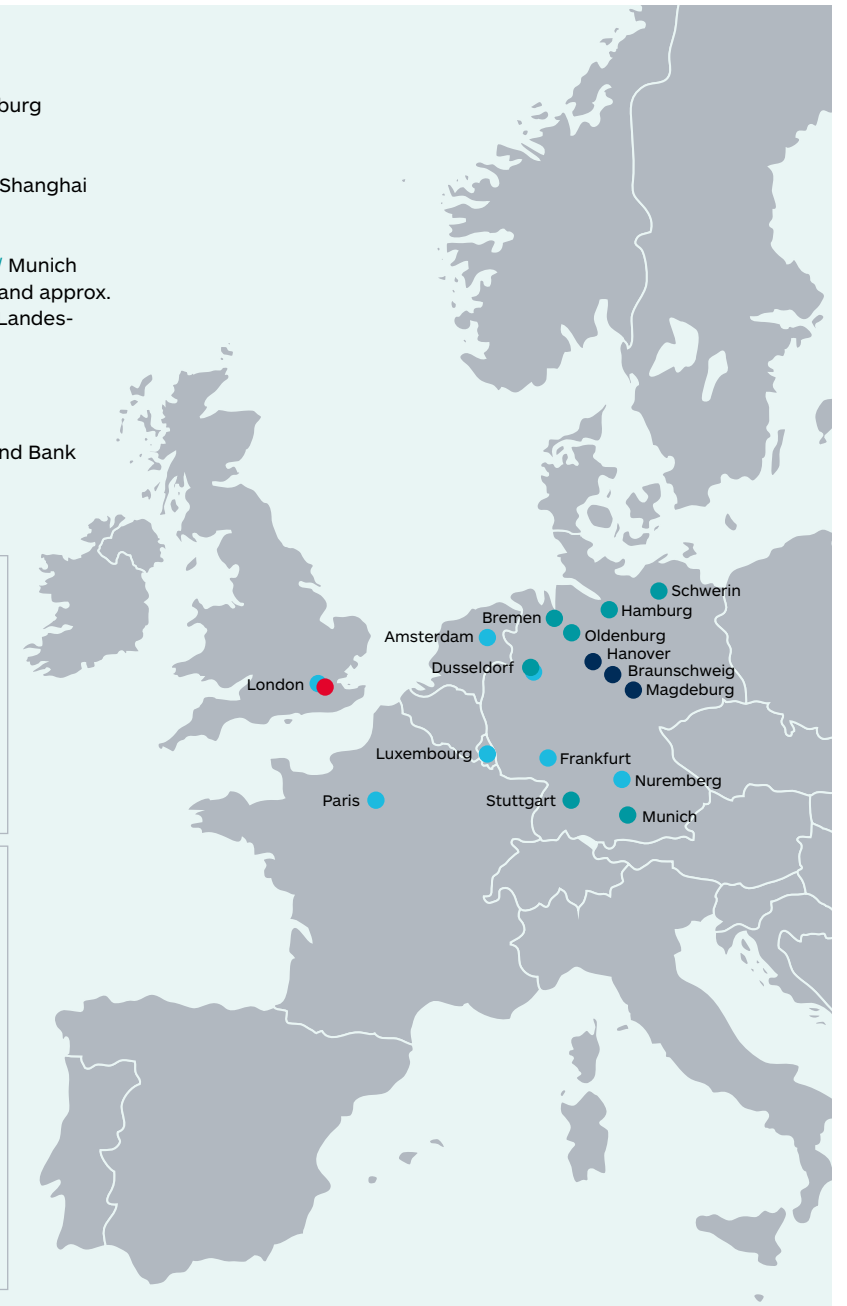
Headquarters and ownership regions

- // Hanover
- // Braunschweig
- // Magdeburg



Network

- **Headquarters**
// Hanover // Braunschweig // Magdeburg
- **Branches worldwide**
// London // New York // Singapore // Shanghai
- **German branches**
// Bremen // Dusseldorf // Hamburg // Munich
// Oldenburg // Schwerin // Stuttgart and approx. 100 branches of Braunschweigische Landes-sparkasse
- **Subsidiaries and bank holdings**
// Deutsche Hypothekenbank
// NORD/LB Luxembourg Covered Bond Bank



»More efficiency for even greater customer focus«

The “ONE BANK” transformation programme has been a priority at NORD/LB since 2017. Can you briefly outline what it’s all about?

Matthias Hellmann / Through “ONE BANK” we are strengthening NORD/LB for future challenges. We aim to make annual savings of € 200 million by 2020, and sustainably reinforce our capital and earnings base. To this end we are working on three key action areas: What is the best structure for the Group? How can we set up our operating model efficiently? To what extent can we make further improvements to our business model?

Are there any success stories to report yet?

Matthias Hellmann / The full integration of Bremer Landesbank is a key milestone. Questions about the future of our subsidiaries Deutsche Hypo and Asset Management have been cleared up: Deutsche Hypo will remain part of the Group, while we have attracted a new strategic partner for Asset Management. On top of this we have numerous individual working-level projects, all contributing to the big picture. For example, we are optimising credit processes, simplifying our IT architecture and reorganising, where appropriate: our business segments, such as in the corporate customer segment or in the savings bank network.

And what do customers notice from these internal changes?

Matthias Hellmann / First and foremost, “ONE BANK” should ultimately be positive for them. Our new structures ensure more efficiency for an even greater customer focus. Thanks to our leaner and increasingly digital processes, in future they will benefit from shorter processing times and faster decision making.

Matthias Hellmann is in charge of Corporate Communications at NORD/LB, and heads up “ONE BANK” together with Olof Seidel.



The best of both worlds

A complex, group-wide programme like “ONE BANK” is based on strategic goals and measures. Yet it can only be successful on a practical level. How does “ONE BANK” affect day-to-day work? Two colleagues from Corporate Sales talk about what has changed following the merger with Bremer Landesbank (BLB).

No overlaps

The efficiency concept runs right through the “ONE BANK” transformation programme. As described here by Hendrik Müller and Bernd Hansen, many areas and initiatives are currently working on eliminating redundant processes, creating synergies, and redesigning NORD/LB business activities to avoid any overlaps.

“Instead of carrying out the same tasks at different places, following the integration of BLB we have redistributed competencies and responsibilities. In our capital markets division, which deals with corporate and special finance customers, this means almost every team has colleagues from Bremen and Hanover in it. This facilitates an exciting transfer of know-how that can only make us stronger. We engage in an intensive exchange of ideas and information to capitalise on the best from both worlds.” / **Hendrik Müller**, Head of Sales CRE / Structured Finance

“After more than 25 years in Bremen I moved to Hanover at the beginning of 2018. The team welcomed me very positively and openly. Given the size and complexity of the international business in Hanover, I already see a difference in culture. Business in Bremen was more fragmented, with shorter paths and sometimes unconventional solutions too. I can learn a lot here and I am also looking forward to inputting ideas and approaches from my own experience.” / **Bernd Hansen**, Sales CRE / Structured Finance



Hendrik Müller (left) and **Bernd Hansen** are colleagues in the capital markets division.

»Getting to know people personally is important to me«



A day at work with Brit Meyer, our “bespoke tailor”



Brit Meyer
from Asset Distribution in Magdeburg combines long-standing experience with professional know-how: she trained at NORD/LB and has now been working here for over 25 years. Throughout her career she has gained experience across a vast range of the housing sector.

At NORD/LB in Magdeburg, Brit Meyer is responsible for the syndication of large-volume financing in the housing sector. She is in contact with professional commercial real-estate investors like insurance companies and banks that want to get involved in broadly-diversified loan portfolios. She always aims to ensure an optimal match between transactions and investors. In 2017 this led to an excellent syndication loan volume of roughly € 100 million.

8:00 am: Today starts with a know-how exchange with customer service colleagues. They have acquired a large financing deal to buy residential property, which now has to be syndicated to find a tailor-made solution for the customer. Simultaneously we have to find a partner for the loan. Together we discuss the details. I scroll through the “investor file” in my head, and already have an idea of who could be suitable for this transaction, the perfect match.

9:30 am: Back at my desk, I call the potential investor. We have worked together for many years, just like with most of my clients. I briefly outline the transaction for him, and my instinct was right: A stake in an acquisition finance at the rim of the city perfectly fits in his portfolio. I send an email with a non-disclosure agreement, and also put together the term sheet with the key figures.



11:30 am: An investor in a different transaction gets in touch: the project has gone down well with them internally, now we need to focus on the formalities. He first asks me to draft the syndicate agreement. Since every investor has their own rules and requirements, these contracts are always prepared individually. My colleagues at Credit and Collateral Management are responsible for this, I pay them a short visit in order to discuss the details of the deal.

1:30 pm: After lunch I see that my client has already returned the non-disclosure agreement. He receives the term sheet and can present the project at his company. Then I have to prepare for an afternoon meeting. I am visiting an investor that I briefly met for the first time at a real estate trade fair. Apart from our loan portfolio I also introduce our product range and services as well as our analytical principles.

3:00 pm: Getting to know people personally is important to me. With new clients, for me this primarily means listening closely: what are their wishes and specifications with regard to volume, collateral and return, for example? Deep knowledge, commitment and trust are an absolute must in my job, because structuring finance is not just a long process often lasting many months, it also requires tailoring. This gives the offers a certain quality, which my clients value and reward with strong loyalty. The meeting was good and detailed – I look forward to working with them in the future. Hopefully, I can offer them a special project, together with the customer advisor, soon.

Out in front down under

As one of the leading banks in the field of renewable energies, we continue to expand our portfolio around the globe. We thus offer German clients and investors an opportunity to harness the potential of new, attractive markets – on the other side of the world for example: in 2017 we financed our largest solar power project to date in Australia.

Solar power for up to 87 000 Australian households

NORD/LB with its long-standing expertise in renewable energies has been involved in international solar energy projects for over ten years. In 2017 we expanded our portfolio with a trendsetting transaction in what is still a young market for us: Australia.

Together with the Clean Energy Finance Corporation and the Commonwealth Bank of Australia, we are providing debt capital totalling 231 million Australian dollars (AUD) for three solar farms.

These will be constructed and operated by German investor Wirsol and Australian project developer for renewable energies Edify Energy. Two of the solar farms are being constructed in the state of Queensland, while the third will be built in the state of Victoria in Australia's south-east. The 198 Megawatt Peak (MWp) capacity of the three solar farms combined is enough to supply up to 87 000 households with electricity from 2018.



NORD/LB accompanies German **solar farm** project developer **Wirsol** to Australia with financing for three solar farms.



NORD/LB financed an **onshore wind farm** in 2017 on the site of a former open-pit mine near Leipzig. **20 000 households** can be supplied with the power generated there each year.

Wind of change blowing in Saxony-Anhalt



More information on our **Energy and Infrastructure customers** on p. 48/49.

Lignite mining then, wind power now: in Saxony-Anhalt, NORD/LB is pushing ahead with Germany's energy transformation. The blades of nine wind turbines have been turning since the end of 2017 on the site of a recultivated open-pit mine, with a total capacity of 28.8 megawatts. The onshore Hohenmölsen-Profen wind farm is the first joint wind energy project between NORD/LB and GETEC Green Energy AG. The company offers solutions ensuring the economically and ecologically viable generation of energy from wind and solar power as well as the recycling of biomass.

What is special about the transaction is that it combines a classical financing structure with a placement instrument. Part of the financing was placed with an investor. This special solution was developed by the NORD/LB team in Hanover. From the lender's perspective, a continuous and stable dividend can be expected for the owners over the entire financing term.

Promising investment

Many cities in Germany are growing – this means demand for housing is correspondingly high in many places. In the capital city of Saxony-Anhalt, the Magdeburg housing association (Wobau) and NORD/LB are together treading new paths in real estate financing.

Something's happening in the centre of Magdeburg: in the immediate vicinity of the Dom (cathedral), the construction of the "Domviertel" (Cathedral Quarter) began in 2017, named after the city's landmark. This district in an excellent location is to be completed by the end of 2020. State-owned Wobau, the largest housing association in Saxony-Anhalt, is to invest € 70 million in the project, combining new-builds and the modernisation of existing real estate.

In the heart of Magdeburg, **Wobau Magdeburg** is creating the new Cathedral Quarter. The capital requirement of € 70 million was covered with a promissory loan – arranged by NORD/LB. **Dirk Moschner** is one of our contact partners for housing association and supports the project.



Tailored promissory notes

Wobau needed a solution other than traditional loans for the substantial financing – and found the perfect partner for this in NORD/LB. The idea was to shape the financing requirement in a very flexible manner using a capital market product.

Together with Stadtsparkasse Magdeburg we arranged a promissory note accordingly. We successfully placed this into the market, and largely within the savings banks network as well.

Broad investor base

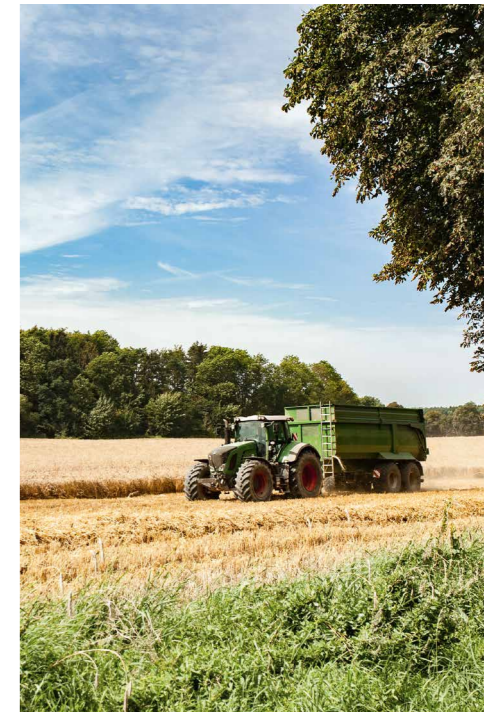
For Wobau we put together a broad spectrum of investors this way: private investors were primarily attracted by the promissory notes with terms of seven and ten years. The promissory notes with longer terms of 14 and 18 years were also appealing to Institutional investors. That this was an attractive capital investment, especially in times of low interest, was also demonstrated by the high demand that clearly outstripped the supply of promissory notes.



Further case studies, references and information on **Agricultural Banking** at NORD/LB online at www.nordlb.com/corporate-customers/agricultural-banking/

Agricultural Banking

Within our Agricultural Banking segment we support our customers in meeting their special challenges with our distinct expertise. In 2017 a customer from Mecklenburg-Western Pomerania, we have a long-standing relationship to, asked us to support him with a take-over transaction of another company. We structured and financed the complex deal. One part of the financing had to be redeemed by the profit from the sale of the farmland formerly owned by the merged company.



SME driving force



With a broad range of instruments, NORD/LB provides for future-oriented financial concepts for the **German SME sector**.

The German SME sector is a broad area: Companies of various sizes, ranging from ten to ten thousand employees in various sectors, from automotive suppliers to dental technology firms, want to prevail in their markets and secure long-term success. This requires intelligent and above all custom strategies – both business and financial. So SMEs need a bank that speaks their language, one that does not act by routine, but specific to given industries.

Measured financing concepts

NORD/LB is an SME bank by tradition and conviction. With an experienced team, first-class product portfolio and a strong knowledge network we support our customers in realising their goals. We weigh up the opportunities and risks together and prudently draw up a forward-looking financing concept. The focus is always on ensuring an optimal capital structure, so the company remains financially strong and liquid on a sustainable basis. This leaves customers optimally situated to concentrate fully on their core business.

It makes no difference whether it is issued products, hedging currency and interest risks, leasing products or optimising working capital: our broad spectrum of financing instruments and solutions means we, as the driving force behind SMEs, provide enough momentum for our clients to hit the ground running.



By developing and structuring a major investment programme for refinancing, NORD/LB convinced **Hamburg Airport**.

Ready for take-off

Hamburg Airport is getting itself ready for the future: a comprehensive investment programme began in 2017, in which Germany's fifth-largest airport is set to undergo some significant expansion. NORD/LB was and is heavily involved in developing and structuring the funding. In spite of the challenging conditions and the tough competition on the market we prevailed with our "all-in-one" package of experience, know-how, strategy and product range.

The funding is mainly based on promissory notes and registered bonds amounting to € 60 million. Both were placed primarily at savings banks, cooperatives (Volksbanks/Raiffeisenbanks) and insurance companies, and enjoyed very high demand. This enabled us to markedly broaden the circle of investors at Flughafen Hamburg GmbH – a "blueprint" for future transactions.



An innovative solution for **selling receivables** creates a win-win situation for the **automotive supply customer** as well as for NORD/LB.

Flexible and efficient

NORD/LB is helping a listed SME in the automotive supply industry lighten its balance sheet to the maximum extent possible by selling as many receivables as possible. To this end we developed a programme in 2017 to sell receivables, which offers great flexibility with regard to jurisdictions, payment terms for receivables and the breakdown of debtors.

We structured two sub-portfolios to make the sale of receivables efficient for clients. They limit the maximum volume of receivables that can be purchased to € 50 million. The portfolio was also optimised with an insurance solution. This minimises the risks for NORD/LB and thus also the price for clients.

Backing our clients for the long run

NORD/LB has not only set a sustainable course for its own business activity, it also primarily helps clients shape their business operations in line with the environment, climate, people and society.

Leading position on European core markets

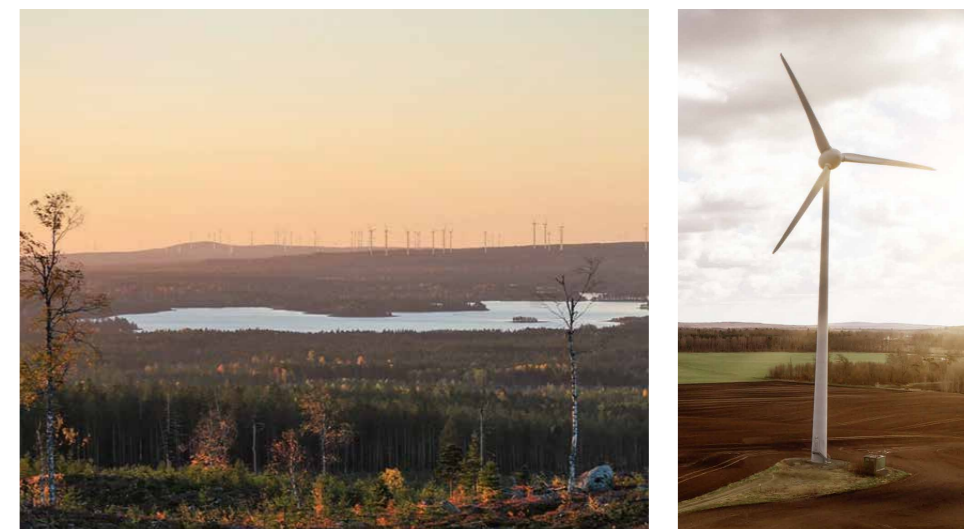
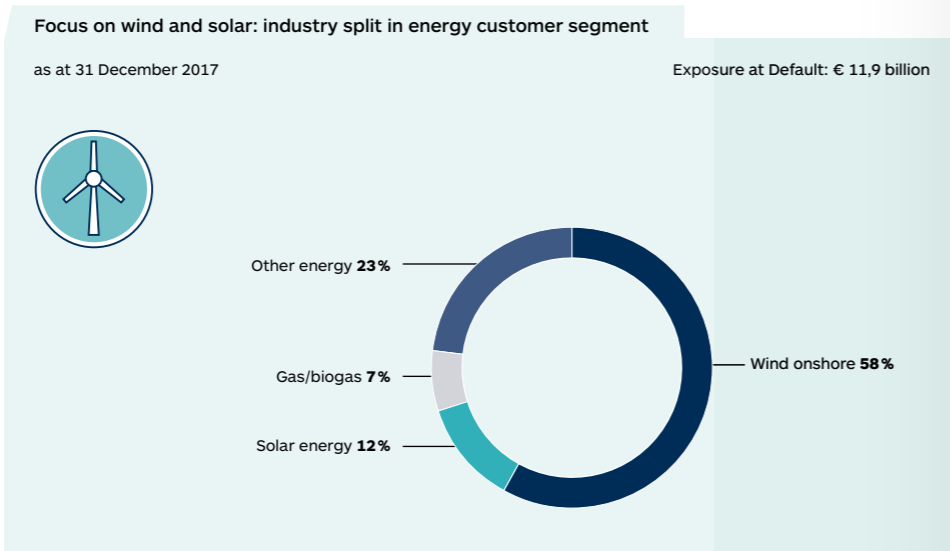
➔
To 29 %

the **wind energy segment expanded** from 2013 until 2017 (proportional share of the entire business)

Renewable energies are a priority area of our business – and this segment is increasingly growing in importance. Through our involvement we have significantly broadened our experience and expertise over the last five years. Today NORD/LB is one of the leading financiers in the core European markets of Germany, France, Ireland and the United Kingdom. We are expanding our customer base in markets that are still new for us, such as North America and Asia.

The focus in this respect is placed on generating energy from wind and solar power. Project financing in these two areas now accounts for more than 50 per cent in our “Energy & Infrastructure” business segment.

By facilitating investments in generation plants worldwide, we contribute to the expansion of renewable energies overall. We also provide targeted assistance for our customers in implementing efficiency measures directly at their locations.



With a **large-volume project funding**, NORD/LB supports the construction of an onshore wind farm in Sweden with **wind turbines from Lower Saxony**.

NORD/LB funds largest onshore wind farm in Europe

179 wind turbines, 650 megawatts, € 800 million investment volume: these three figures alone demonstrate that “Markbygden” in northern Sweden is a huge project – the largest onshore wind farm in Europe, to be precise. And NORD/LB is the mandated lead arranger. Our leading role in structuring this large project financing transaction in Sweden serves to once again underline our global competence in the field of renewable energies.

Alongside the investments of project sponsors General Electric (GE), Green Investment Group (member of Macquarie Group), the funding of the wind farm was secured with

project financing amounting to € 500 million. This was put together among others by NORD/LB along with the European Investment Bank (EIB) and KfW IPEX.

“Markbygden” has been under construction since the summer of 2017, and the wind farm is set to reach full capacity in 2019. This means there will also be a bit of Lower Saxony in the Swedish power generation: the 179 wind turbines delivered by GE Renewable Energy are also manufactured amongst other places in the town of Salzbergen in Lower Saxony.



Additional information on our **customers and products** online at www.nordlb.com/nordlb/sustainability/customers/

Maritime all-rounder

€ 12.1 billion

was the size of the shipping loan portfolio at the end of 2017. This means we reached our downsizing objective of € 12 to 14 billion by the end of 2018 a year early.

985

fewer ships in the portfolio: Since 2009 we have almost halved the numbers from 2 100 to 1 115 by the end of 2017.

NORD/LB can look back on a long history in ship financing. We still feel the same connection to this segment, and despite all the challenges we see this as a promising business field with good earnings opportunities. We have carried out the necessary alterations in our shipping portfolio so consistently that the downsizing goals set for the end of 2018 were achieved one year early.

The successful downsizing of the portfolio plays a key role here. At the same time we are pushing forward very carefully with new business in selected sectors, such as financing cruise ships, ferries and special-purpose vessels. In this context we pursue a holistic approach because we offer much more than just ship financing. Our clients benefit from outstanding expertise – in niche segments too –, from our international operations in locations such as Singapore and New York, from a strong network, and from our broad range of services that has been expanded further with the integration of Bremer Landesbank.

By purposefully pooling strengths and competencies within the bank we can even provide all-round support for our clients with complex issues. From the start of 2018 we are also underlining this added value with the name of the business division in question: “Ship Finance” has become “Maritime Industries”.



Despite all challenges, **ship financing** is a **sustainable segment with good earnings** potential for NORD/LB.

**max
€ 5 billion**

Non Performing Loans (NPLs)

After a very difficult year for shipping in 2016, we observed a modest recovery and stability across all sectors in 2017. These are good conditions for both priorities in the Maritime Industries segment: for reducing the size of the portfolio and for new business.

New business: global approach – broad diversification

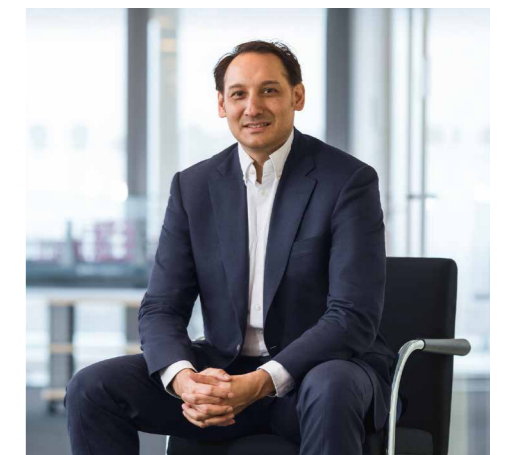
“With regard to shipping we are working consistently on developing a conservative portfolio, one that is very diverse both geographically and with regard to the types of ships. We achieve this through targeted new business activities, such as with financing that offers first-class risk structures in the segments of cruise ships and ferries. Geographically we focus on the Asian market with its strong demand; more than one third of our new business planned for 2018 will be acquired there.” / [Tobias Zehnter, Head of Ship Financing](#)

Portfolio reduction: objective reached early

Within the new business unit Shipping Portfolio Optimisation we actively transform the bank’s shipping portfolio. In 2017, we were able to reduce gross NPL exposure by approx. € 4 billion. Our aim is to having further reduced the NPL exposure to € 5 billion by the end of 2019. / [Aaron Sen, Head of Ship Asset Management](#)



Tobias Zehnter (left) and **Aaron Sen** are working in the shipping business.



2017 – a ground-breaking year for NORD/LB



Thomas S. Bürkle
Chairman of the Managing
Board of NORD/LB, Hanover

“We fully achieved our four most important targets for 2017. The bank is profitable again and we managed to raise all of our capital ratios. Furthermore we reduced our shipping loan portfolio much faster than originally planned. And last, not least we took the first step for the realignment of NORD/LB by the full integration of Bremer Landesbank.”

“With our decisions not to sell Deutsche Hypo and finding Warburg bank as a new partner for NORD/LB Asset Management we moved our way further towards creating NORD/LB’s new Group structure. Synergy effects from the merger with Bremer Landesbank also progressed well.”

“Concerning the further reduction of the shipping loan portfolio we will now focus on the non-performing loans (NPLs). Our target here is to reduce the NPLs from € 8.2 billion today to below € 5 billion by the end of 2019. We will continue to improve the asset quality of the total portfolio by selective and risk-adverse new business. We will also continue to improve our capital ratios, as regulatory requirements for bank capital might rise in future.”

/ Thomas S. Bürkle, Chairman of the Managing Board of NORD/LB, Hanover



What makes us who we are

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- // How we prepare our bank for the future – p. 25
- // How we conduct our business – p. 28
- // How we align economic success and corporate responsibility – p. 30
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How we earn our money

NORD/LB: the leading universal bank in the north

// We are a commercial bank.

We offer a wide range of financial services to our private, corporate and institutional customers as to our public-sector clients. In terms of structured financing we are active in the fields of shipping and aircraft financing, while in the areas of energy, infrastructure, industry and real estate we are involved in international projects at selected locations.

// We are a regional bank.

In our capacity as a regional bank we are the local bank for the federal states of Lower Saxony and Saxony-Anhalt. For these states we carry out banking transactions, offer advice, and support measures to promote the economy.

// We are a central bank for the savings banks.

In Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania we take on the role of a central bank for the savings banks. In addition, as part of the “extended network” we cooperate with savings banks in Schleswig-Holstein and Brandenburg. In our clearing house role we offer all the services that are relevant for our savings banks.

// We are a promotional bank.

As part of the promotional lending business, Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern – both belonging to the NORD/LB Group – advise the respective state governments. The promotional banks can also be contacted about promotional issues in the federal states: they support their clients with regard to promotion and provide help in applying for programmes.



Priorities for NORD/LB:

- // Supporting and advising private and commercial customers in all finance issues
- // Tailored financing in the corporate customer business and in agricultural banking
- // Financing solutions in the shipping and aircraft segments
- // Project financing in the fields of renewable energies and infrastructure
- // Commercial real estate financing, including social housing
- // Traditional banking products as well as interest and currency hedges
- // Debt capital issues on the capital market
- // Transformation of credit risks in investment products and asset management services for institutional investors
- // Comprehensive and tailored range of money and capital-market products

Stability and quality – our success factors

79%

This is the share of the “very good/good” rating category in the valuation of all our loans.



More information on our success factors from p. 25 ff.

We carry out NORD/LB business with a steady hand and a cool head. The best example is our conservative risk policy: Our risk provisioning policy is far-sighted, we treat any and all (credit) risks responsibly, and provide finance only according to strict guidelines. This gives us a solid position, as confirmed by our stress test results as well.

Another factor of success is the broad diversification of our business model. By conducting activities across many markets and customer groups we broaden our business options and diversify the risk. This benefits not only ourselves, but also and primarily our customers. The NORD/LB portfolio is spread evenly between our core areas of business. Apart from the challenging shipping segment, all of our business areas are profitable, which represents roughly 86 per cent of the portfolio.

With a Common Equity Tier 1 capital ratio of around 12 per cent (as at 31.12.2017) just now, NORD/LB is on a sure footing – significantly above the current regulatory requirement of approximately 9.5 per cent. At the same time, we are also familiar with the constant momentum of the market. The growing regulatory requirements in particular have an impact on our business and risk strategy. This is why we consistently strengthen our capital ratio.

At home in multiple markets

Broadly based – highly specialised

In the course of our more than 250-year history we have always aligned our products and services to the needs of people and markets and continuously expanded them. We have reached new clients and built up comprehensive expertise in forward-facing segments such as renewable energies.

Today, NORD/LB is a highly specialised all-rounder – with products and services ranging from simple current accounts for private customers to complex transactions for companies around the world. We focus on the client, which is why our seven business segments also represent our key client groups.

Focusing on the customer

We aim to be a quality and market leader. This objective can only be achieved through satisfied customers. So focusing on customers is essential for NORD/LB. We pursue a holistic approach that emphasises the needs of customers in all respects and places them at the centre of all that we do. We utilise a sophisticated advisory concept to find the right financial strategies and solutions – allowing us to serve as the bespoke tailor for our customers.

Our goal is always to develop a long-term relationship. So, we are always at your side, backed by our extensive network. The fact that we are concerned exclusively with the

interests of our customers is demonstrated by our decision not to pay our employees sales commissions.

In order to ensure that our offerings fully meet the needs of our customers, we conduct surveys every two years – online and by phone. To be able to measure customer satisfaction objectively, we take the results and calculate an index on a scale of 0 to 100. This figure allows us to compare individual Group companies as well as results from previous years. The internal benchmark at NORD/LB is an index value of at least 80.

The **current index value for customer loyalty** is

90 – well above the minimum value of 80 specified by the Group. The factors included in customer loyalty are consistency, referrals and re-election.

Business segments at a glance



Private and Commercial Customers

- // Private customer business
- // Private Banking
- // Commercial customer business
- // Insurance services for private customers in cooperation with public insurances in Lower Saxony



Corporate Customers

- // Corporate customer business
- // Agricultural Banking
- // Finance with public and cooperative housing associations
- // Syndication business with associated savings banks
- // Corporate Finance



Markets

- // Business with Institutional customers
- // Savings banks/financial institutions
- // Public-sector customers
- // Municipal customers



Energy and Infrastructure Customers

- // Renewable energy finance
- // Infrastructure finance
- // Leasing



Ship Customers

- // Ship finance
- // Container Vessels
- // Bulker
- // Tanker
- // Multi-Purpose
- // Offshore Oil & Gas
- // Cruise/Ferries



Aircraft Customers

- // Aircraft finance
- // Narrowbodies
- // Widebodies
- // Freighters
- // Regional Jets
- // Turboprops
- // Helicopter
- // Spare Engines
- // Finance and Operating Lease



Real Estate Banking Customers

- // Commercial real estate finance
- // Social care property finance

How we run our bank

Global positioning – Northern German focus

For us, north is not just a point on the compass, but a mindset. Our roots are in Lower Saxony; over the course of our history, Saxony-Anhalt has become a second home for us. With strong regional ties to its headquarters in Hanover, Braunschweig and Magdeburg, NORD/LB is now a global bank: Thanks to our branches and representative offices we are represented in key trading centres, such as London, New York, Shanghai and Singapore. In this way, we combine our international presence – which allows us to be where our customers are – with a Northern German focus. We adhere to a set of shared values. These values form the basis of our business – no matter where in the world customers and partners of NORD/LB may be located.

Milestones in NORD/LB history

1765

Duke Charles I of Braunschweig-Lüneburg founds the Herzogliches Leyhaus, the foundation of today's NORD/LB.

1933

Niedersächsische Landesbank-Girozentrale is formed as a result of the merger of Girozentrale Hannover and the former Landesbank der Provinz Hannover.

1970

On 1 July, NORD/LB takes over the business of Norddeutsche Landesbank – Girozentrale. It is created by the merger of the four predecessor institutions: Niedersächsische Landesbank-Girozentrale, Braunschweigische Staatsbank, Hannoversche Landeskreditanstalt and Niedersächsische Wohnungskreditanstalt. Braunschweigische Landessparkasse (BLSK) continues to operate as a special division of NORD/LB.

1983

Bremer Landesbank becomes part of NORD/LB Group.

1992

In the wake of German reunification, NORD/LB becomes the Landesbank and central clearing house for savings banks in Saxony-Anhalt and for a time also in Mecklenburg-Western Pomerania. Another regional headquarter for NORD/LB is opened in Magdeburg.

2008

Braunschweigische Landessparkasse commences operations as an institution of NORD/LB with partial legal capacity.

2017

NORD/LB is the sole owner of Bremer Landesbank (BLB), with 100 per cent of its share capital. The merger is completed on 31 August.

The bank for SMEs

We understand the people in our home region, and we know what moves them. After all, we have been at their side for more than 250 years. In particular, we have traditionally focused on advising and supporting small and medium-sized companies. We have always viewed ourselves as a modern bank for SMEs, one that aims to be a reliable partner for our corporate customers in all economic sectors and to help them ensure continuity and predictability in times of rapid market changes. And we also want to be there for them when the road gets rocky.



A **detailed history** can be found on our website: www.nordlb.com/nordlb/about-us/history

The NORD/LB management team



Managing Board (left to right)

Günter Tallner
Member of the
Management Board

Christoph Dieng
Member of the
Management Board

Thomas Bürkle
Chairman of the
Management Board

Ulrike Brouzi
Member of the
Management Board

Dr. Hinrich Holm
Deputy Chairman of the
Management Board

Christoph Schulz
Member of the
Management Board

Supervisory Board

Chairman
Reinhold Hilbers
Minister of Finance
State of Lower Saxony

1st Deputy Chairman
Thomas Mang
President Savings Banks
Association of Lower Saxony

2nd Deputy Chairman
André Schröder
Minister of Finance
State of Saxony-Anhalt



The **responsibilities** of the **Managing Board** and a detailed overview of the **Supervisory Board with 15 more members** online at www.nordlb.com/nordlb/about-us/committees-and-executive-bodies/

How we prepare our bank for the future

Decisively meeting challenges – with the right strategy

There is no downtime in our market environment – whether it is because of regulations or low interest rates, the willingness and ability to change is needed now more than ever. With our diversified and flexible business model, we have already positioned ourselves well in recent years. But increasingly complex external and internal challenges require more comprehensive measures than ever before. We are meeting these challenges on our own terms – with “ONE BANK”: this Group-wide transformation programme will change and improve NORD/LB substantially.

Future prospects based on three pillars: “ONE BANK”

There is a clear aim behind this programme: we want to create lasting added value for our owners, customers and employees. In order to increase our resilience in times of crisis and remain competitive and profitable on the market in the long term, we need lean structures and efficient processes. To this end, we are adapting our business model, Group structure and operating model. We have defined ambitious target figures for each of these three pillars.

We want to use the “ONE BANK” programme to save

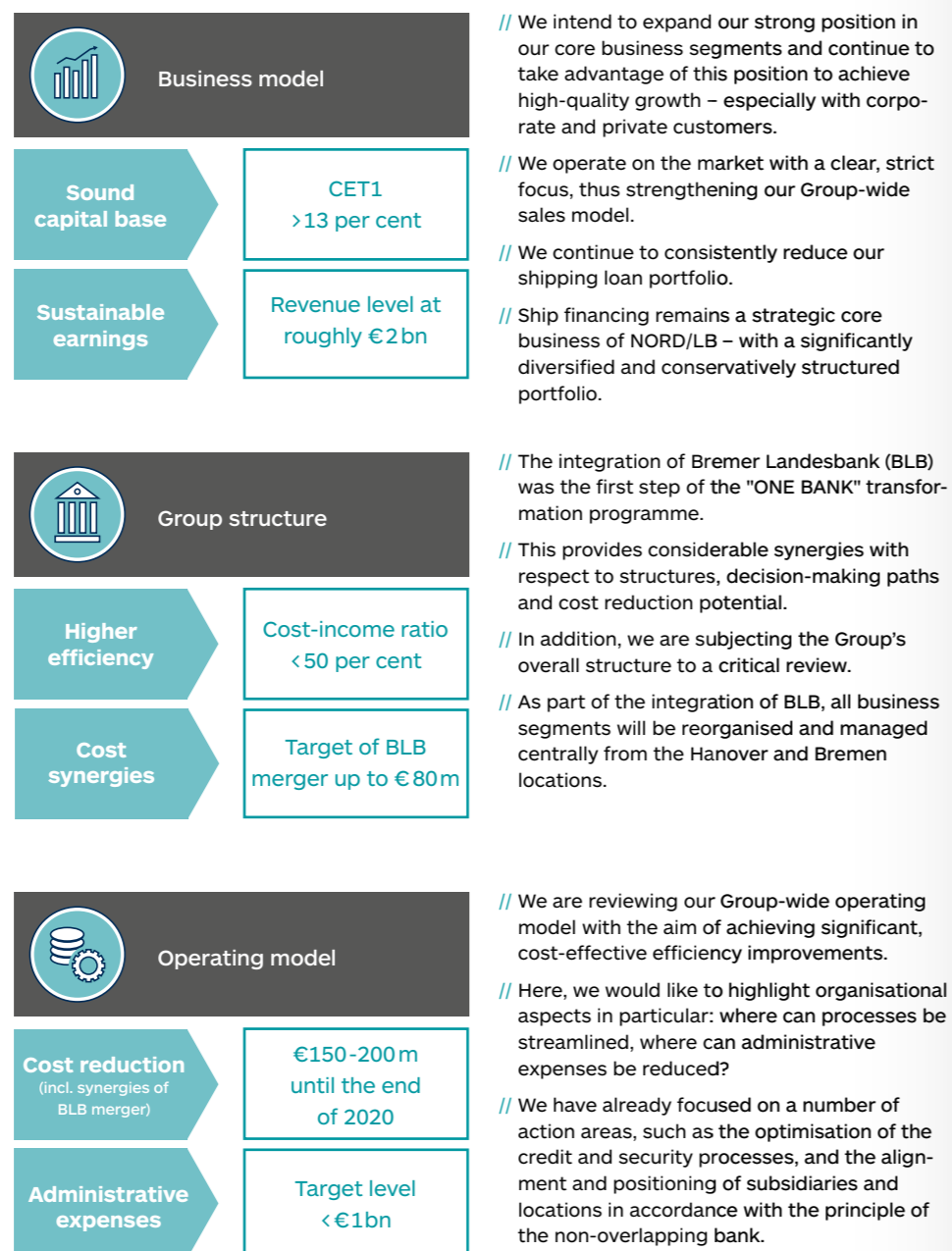
€ 200 million

by 2020.

A sustainable added value for our owners



Our transformation programme “ONE BANK”



Building the bank of tomorrow today

What will financial institutions look like in the future?

We have been looking at this question as part of our digitalisation strategy. Giving NORD/LB a greater digital focus means that, first, we must reposition our complex IT infrastructure. Aside from our own processes, we must also focus on customers: what will they expect from their bank in the future? What products and services can we offer to meet their expectations?

iLab: our R&D department

In order to find out, we created the iLab, an agile development and test environment for innovations. Separated from daily banking operations, the iLab experiments with new technologies and reviews new trends, such as big data and blockchain, to determine if they are viable and practical. The aim is to take the solutions developed in our “innovation lab” and put them into practice in our business segments and thus offer them to our customers.

Partnerships with fintechs

Keeping up with trends is essential in the digital age. Doing so involves a change in culture, which requires openness and new skills as well as an expansion of our horizons. And ideas from outside the bank, such as from fintechs, are also welcome in this regard. NORD/LB has established a joint venture, which allows it to participate in start-ups, especially financial solutions and infrastructure themes. This provides it with the opportunity to form product development synergies with young companies and expand our offering in a targeted manner.



We show, i.a., how inexo enables **telecommunication for the next generation**. Please find more by following this link: www.nordlb.com/corporate-customers/corporate-customers/

How we conduct our business



The complete NORD/LB **Code of Conduct** online at www.nordlb.lu/page/docManager/docs/348/Code_of_Conduct_02_2017_EN.pdf

A clear code of conduct for everyone at the bank

The trust of our customers and business partners as well as our own reputation are crucial for NORD/LB – not least for the bank’s financial success. Strict compliance with laws and regulations is essential, as is impeccable ethical behaviour. That’s why NORD/LB has developed its Code of Conduct, the company’s internal “basic law”. The Managing Board of NORD/LB requires all employees to be 100 per cent compliant. What this exactly means is defined in the Code of Conduct and by the ethical principles for honest, value-conscious and fair behaviour at NORD/LB. They contain clear obligations, including the obligation to avoid conflicts of interest, to combat corruption, and to prevent money laundering and the financing of terrorism. As important tools in our corporate management system, these codes of conduct are binding for members of the Managing Board, members of management and staff alike.

Open dialogue with our stakeholders

Regional bank, clearing house, public-law institution, diversified ownership structure, major employer, promoter of the regional economy: NORD/LB stands at the centre of society and has a broad impact on it. So we have a large number of stakeholders. The needs and opinions of our stakeholders are valuable to us – especially with regard to our sustainability strategy. For this reason, it is very important for us to engage in an intensive dialogue about current issues and trends, such as digitalisation, demographic change, climate change and energy efficiency. Doing so provides us with useful insights and helps us to continuously develop in line with our corporate social responsibility. We use a variety of methods to communicate with our various stakeholders, including press releases, events, professional conferences, magazines, newsletters, employee portals and social media.



NORD/LB’s **declaration concerning the German Corporate Governance Code** is online available by following this link: www.nordlb.com/legal-information/legal-notice/corporate-governance/

Voluntarily committed

NORD/LB works hard to be a reliable and trustworthy partner in all its business activities. This includes transparent corporate management. To underscore this aspiration, we view ourselves as voluntarily committed to adhering to the recommendations and proposals set out in the German Corporate Governance Code. This code contains nationally and internationally recognised standards for good and trustworthy corporate management.

How our stakeholder dialogue works

Employees

- // Staff portal and magazine
- // Dialogue with staff representatives and senior management
- // Staff magazine 361°
- // Pensioner events

Investors

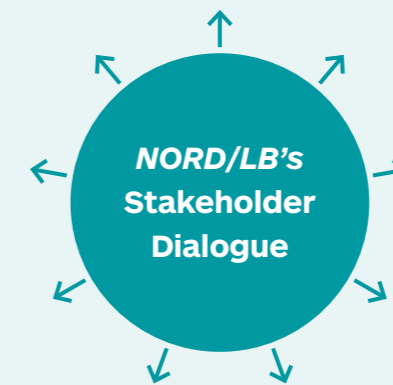
- // Investor Relations
- // Trade fairs, customer events e.g. concerning sustainable investments
- // Business reports

Customers

- // Customer magazin 52°, newsletter, magazine, information brochures, etc.
- // Customer satisfaction surveys
- // Customer events, trade fairs

Suppliers and business partners

- // Supplier management meetings
- // Joint activities



Shareholders

- // Ongoing owner communication
- // Events
- // Committee meetings

Press and media

- // Press releases, press conferences, press meetings
- // Publications on individual topics

Non-governmental organisation

- // Dialogue with NGOs on selected topics
- // Reply to enquires

Local community and associations

- // Meetings and activities with public-sector customers
- // Preparation and sponsorship of studies and strategy papers
- // Information brochures / magazine
- // Sponsorship of art, culture, science, sport and social projects

Potential staff

- // Social media
- // Cooperations with schools, graduate fairs, etc.

How we align success and responsibility

Key factors for ensuring competitiveness and future viability

Sustainable thought and action is one, if not the most important factor for the long-term success of companies. This is especially true for NORD/LB, with its public mandate. By making sustainability a key element of our core business we are not only contributing to our own competitiveness and future viability, but also that of our customers and business partners as well as our home region.

Important aspects of the regional economy in Lower Saxony and Saxony-Anhalt, such as ship and aircraft construction, renewable energies, agriculture, housing and strong small and medium-sized businesses are closely interwoven with the NORD/LB business model, which focuses precisely on these areas. For this reason, sustainability is the highest priority for NORD/LB and is part of its strategic focus.

// As a corporate value, sustainability is established organisationally at the senior management level.

// Sustainability Management is a key function, operating on both a professional and strategic level as well as internally and externally.

// We developed our “Group Sustainability Strategy 2020” to integrate aspects of sustainability in all relevant business activities.

// To deal with environmental and social governance (ESG) risks, NORD/LB has developed guidelines that govern environmental, ecological and social aspects of its business activities, enabling it to manage its portfolio holistically.

// We are committed to the ten principles of the UN Global Compact as well as other major sustainability agreements.



Corporate Sustainability Strategy 2020

We aim to achieve these core objectives in the five major sustainability areas by 2020:

Governance

- // Continue to structurally reinforce our management approach to sustainability
- // Continuously review and adapt strategic sustainability focus
- // Maintain stakeholder dialogue

Customers

- // Improve the competitive position of customers and strengthen the risk position of the NORD/LB Group through economic, ecological and social aspects

Employees

- // Support the professional and personal development of employees
- // Promote corporate sustainability through information and training offerings

Society

- // Step up commitment to social projects
- // Promote art, culture and science in our core regions
- // Ensure environmental and social standards for suppliers and service providers in line with the ten principles of the UN Global Compact

Environment

- // Consistently increase the Group's environmental efficiency by reducing the use of resources, saving energy and cutting back on emissions – with a focus on energy efficiency



More information on our **environmental management** system online at www.nordlb.com/nordlb/sustainability/environment/

Every contribution counts

We set up our Group environmental management system back in 1991. This system is used to record, manage and assess all activities, from purchasing to energy procurement and mobility to recycling. This allows us to initiate targeted measures to constantly improve the environmental balance sheet of NORD/LB.

Over the past few years, we have focused in particular on the energy efficiency of buildings, the efficient use of paper and water and preventing and recycling waste. But the Group environmental management is a continuous process that constantly offers new potential for optimisation and savings. We want to take advantage of this potential in a systematic manner.

Regional partner

The area where our corporate headquarters are located is more than just a place to us: it is where many of our customers, staff and potential future employees live and work. As a regional bank, supporting the regional economy and infrastructure is very important to us – and we also promote educational opportunities as well as social, scientific and cultural projects. We do all of this out of a sense of conviction that we want to do our part to make the region attractive and liveable.

Out of conviction



- // Partner to businesses and municipalities as a promoter of the arts, culture and science
- // Supporter of social projects
- // Donor and sponsor
- // Staff volunteer work

»We go where the people are«

A conversation with Michaela Stamme and Anke Blome from the NORD/LB Cultural Foundation.

Hanover had poetry slam fever in autumn 2017. The NORD/LB Cultural Foundation played a role in that, didn't it?

Michaela Stamme / Yes, we sponsored the German-language Poetry Slam Championships – the largest live literature festival in Europe. This is a good example of how the foundation tackles social issues and cultural trends. We don't want to be a static foundation – we want to stay in step with our surroundings. And that often leads us to niche aspects of culture.

You mean the foundation supports projects outside of the mainstream?

Anke Blome / This is actually an essential aspect of what we do. We want to interact with as many target groups as possible, especially young ones, to go where the people are. That's why our commitment is so broad. We support 40 to 50 projects per year. These include all sorts of projects, from visual arts to photography, design and music as well as theatre and literature.

Can you give an example?

Anke Blome / The big successes in 2017 were the "Made in Germany" exhibit in Hanover and the Kurt Weill festival in Saxony-Anhalt. The Bauhaus centennial is coming up in 2019, and we will be participating in the celebrations in Dessau and Bremen.

Michaela Stamme / Some of the music projects we support include "Women in Jazz" in Halle and the Mecklenburg-Western Pomerania Festival. We also support the Worpswede artist colony, the Neo Rauch Graphic Works Foundation in Aschersleben and much, much more. The list of amazing projects is almost endless.

"We don't want to be a static foundation – we want to stay in step with our surroundings."

Anke Blome and Michaela Stamme also support cultural projects at NORD/LB Cultural Foundation.



The NORD/LB Cultural Foundation

- // Established in November 2012
- // Financed by the proceeds from the sale of the Jeff Koons sculpture "Tulips"
- // The purpose of the foundation is to provide moral and financial support for art and culture in NORD/LB's core regions
- // It focuses on a wide range of projects and art forms and has an educational mission as well

Who makes our bank successful

6 453

people were employed by the NORD/LB Group in 2017.

6 453 faces – one NORD/LB

Our employees are the heart of NORD/LB. With their skills and their commitment, they have created the conditions for our current and future success. They provide the bank with its distinct identity – after all, it is the “NORD/LB team” that serves as the direct line to the markets. That develops innovative and practical solutions in a dialogue with customers and business partners. That turns its ideas into reality.

We are an important employer in our regions. At our headquarters in Hanover we are among the top 10 employers in terms of the number of employees. Our global and open focus is also reflected within the Group: Diverse teams work together in different locations and countries, staying in close contact to learn with and from one another. And professional diversity is also important at NORD/LB. For our broad-based portfolio we need people who have extensive expertise in our special fields as well as management skills and who enjoy working with our customers. We ensure that we have such people among our ranks both today and tomorrow by pursuing a modern human resources strategy.

48.7 %

of employees are **women**.

36

nations: at NORD/LB, we have a **culturally diverse** group of employees. This also demonstrates our commitment to the principles of the Diversity Charter.



Cornerstones of collaboration

The bank offers flexibility – employees decide how to utilise it in carrying out their duties. This is the cooperative principle we operate by at NORD/LB. It is a give and take in a positive sense: we provide opportunities, promote employees and help them achieve their goals. In return, our employees offer superior performance, organise their work and act responsibly.

The basis of a successful corporate culture

Collaboration at NORD/LB is based on mutual respect and a common understanding of

- // a value-conscious corporate culture,
- // leadership skills and a willingness to change,
- // a results-oriented approach to working on behalf of customers,
- // career opportunities that can be individually tailored and
- // transparent and performance-based compensation.

Family-friendly employer

We not only expect flexibility from our employees – as an employer, we also implement various measures to ensure that our employees can strike a good balance between work and family. These measures include, for example, home offices, flexitime and part-time working models, childcare services during school holidays and providing support when an employee needs to care for a family member. Our commitment has already won numerous awards, including one from “Eltern” family magazine as well as the “Best Company for Families” award from the “Statista” online portal.

We also actively help our employees to stay fit and healthy. Our company health management programme includes health checks, annual flu shots and fitness as well as stress management classes.



More on our **career possibilities** online at www.nordlb.com/nordlb/career/

Training and development: investing in our future

We have traditionally taken our social mission as a training provider and talent developer very seriously. In times of demographic change, finding and retaining qualified employees has become even more important. We know that companies like us wanting to have the best staff on board must be attractive for them. That's why quality is the top requirement of training and development at NORD/LB.

Young people start their career with us by completing an apprenticeship, a dual study programme, a trainee programme or an internship. We also work with colleges. Our training programme is unique in the industry and in addition to professional skills also includes personal coaching, mentor support and individual offerings, such as test preparation. In this way, we set the course for a long-term collaboration. This is also underscored by our rather high retention rate for young employees.

Learning is an important topic for our employees throughout their careers. An extensive range of training and development offerings provides them with the opportunity to keep their knowledge up to date. In order to be able to fill the highest levels of management from our own ranks, we have established special competence models and development programmes.

Apprenticeships

- // Bank clerk
- // IT specialist
- // IT management assistant
- // Office management assistant
- // Cook

Dual study programmes

- // Bachelor of Arts (business administration)
- // Bachelor of Science (information management)



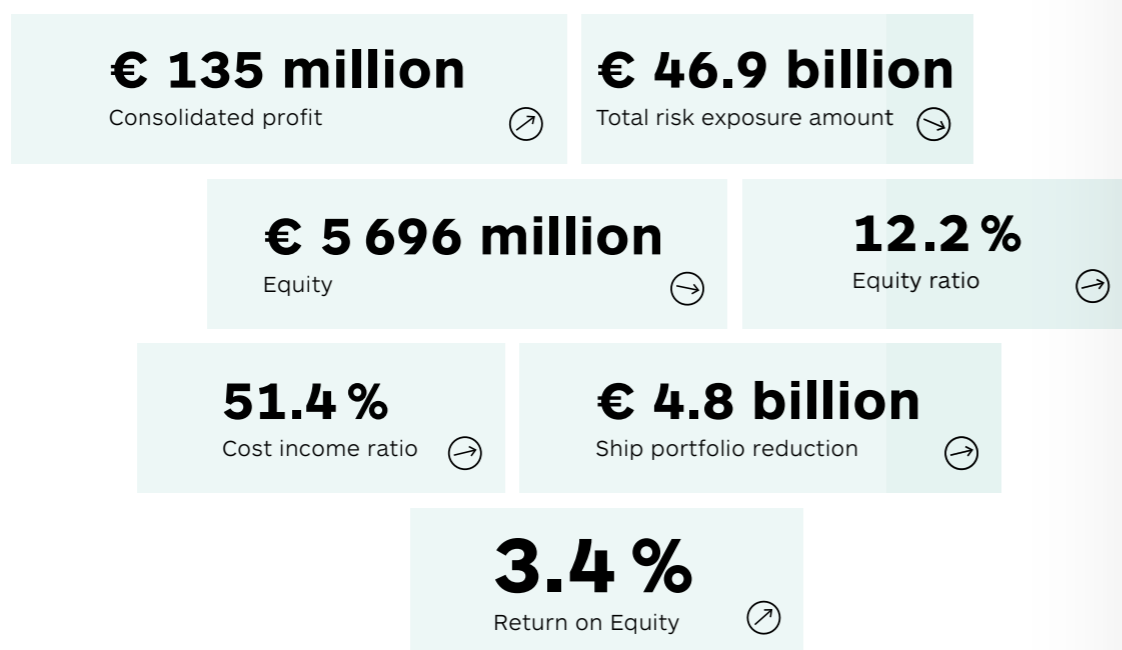
What the figures say

- // Summary of business performance – p. 38
- // Development business segments – p. 42
- // Facts & Figures – p. 57

Return to profits – with stronger equity capital

NORD/LB has formulated four key objectives for the 2017 financial year: Return to profits, increase its Tier 1 capital ratio to over 11 per cent, continue to reduce its ship portfolio and implement the first milestones in its “ONE BANK” transformation programme. Its balance sheet as at 31 December 2017 was very positive – with all objectives achieved:

- // the annual results show that we have achieved a turnaround, going from a loss of about € 2 billion in 2016 to a profit of € 135 million.
- // The common equity Tier 1 capital ratio of around 12 per cent above plan and well above regulatory requirements.
- // The reduction of the ship portfolio is being achieved much faster than planned. The measures continue unabated – with a sharp focus on reducing the share of NPL, which are the loans in the highest risk class.
- // With the integration of Bremer Landesbank, “ONE BANK” has gotten off to a successful start, and other initiatives to reduce costs and identify potential revenue are ongoing.



See details regarding ships on p. 50/51.

Risk assets reduced in a targeted manner

To understand the performance of the bank as a whole, it is worth taking a look at the overall picture of the past ten years. While the public has mostly focused on the difficulties in the Ship segment, in addition to our enormous efforts in this area we have also worked intensively on our other key figures and reduced risks in a targeted manner. For example, by actively managing our risk-weighted assets (RWA), we have cut our total risk exposure almost in half since the end of 2008. We have increased the bank’s profitability by pushing our cost-income ratio below 50 per cent – making us a cost leader in Germany. And we have increased our equity ratio from about 8 per cent to more than 12 per cent using our own resources.

Another important component of our equity management efforts were the successful placements in 2017. Particularly worth noting in this connection is the large-volume “Northvest 2” loan portfolio transaction, which enabled us to reduce our risk assets by about € 3.7 billion.

Savings Banks Network: a separate business segment starting in 2018

During times of dynamic changes, NORD/LB needs to have an agile and efficient organisation in order to be able to respond quickly and flexibly on the market. That is why we are using the “ONE BANK” programme to review structures and processes throughout the Group and adapting our business model in line with our needs. One example of this is the network business with savings banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania as well as Schleswig-Holstein in an expanded network.

Savings banks are very important to us as institutional customers, as market access to a broad customer base and as partners. Conversely, we are an important and strategic market partner and provider of products and processes for savings banks. We want to strengthen this collaboration and expand the network business as a driver of NORD/LB’s values. To this end, we are combining our various network activities into a centrally managed area: starting in 2018, the “Savings Banks Network” segment will be a separate business segment within our business model, making it the eighth such segment. Within this segment, we will carry out our defined strategic priorities related to our clearing house function, corporate customers, syndication activities, the sale of capital market products and the municipal loan business.



See details regarding “ONE BANK” on p. 2/3 and p. 26/27.

»In essence, it's about having foresight and the ability to adapt for the future«



Dr. Hinrich Holm
Deputy Chairman, responsible for the bank's capital market business.

How satisfied are you with the performance of NORD/LB in 2017?

Dr. Hinrich Holm / Very satisfied. We wanted to have positive annual results again, improve our capital ratios and reduce our ship portfolio. We have managed to do all of this.

Which factors were decisive for this success?

Dr. Hinrich Holm / We took some important steps beginning in 2016, especially with our comprehensive package of measures in the Ship segment. Our plan to change course using our own resources and be in the black again by 2017 worked. We also benefited here from the broad diversification of our business model. Apart from the Ship segment, all of our other business segments are once again profitable and, despite increasing competition, they have managed to stay level or improve.

12.2 %

For a bank, this **CET1 quote** is an important figure – in 2017, we achieved to **increase it by four per cent.**

The "ONE BANK" transformation programme was a constant issue for NORD/LB throughout the year. How much has this programme changed the bank already?

Dr. Hinrich Holm / We are well on our way and have already accomplished much – both major changes, such as the merger with Bremer Landesbank, and smaller initiatives that only affect individual departments or processes. As a highly complex programme, "ONE BANK" is an ongoing process. The programme was a continuous topic for us in 2017, and it will remain so over the next few years.

What do employees think of this far-reaching programme?

Dr. Hinrich Holm / If we take a look at individual target figures and initiatives, we see that in essence, "ONE BANK" is about having foresight and the ability to adapt for the future. The bank is currently well positioned, but we must take steps now to prepare for future challenges – anything else would be irresponsible to our shareholders, investors, customers and, not least, our employees. The changes are necessary – our employees know this and they are actively helping to implement the programme.

What challenges does the future present?

Dr. Hinrich Holm / We face many challenges, such as the implementation of new regulatory requirements like IFRS 9 or Basel IV as well as the successful conclusion of the EU-wide stress tests in 2018. But aside from regulatory issues, there are also market changes such as digitalisation, which poses significant challenges for the entire banking industry and will change it over the long term.

Finally, let's take a brief look ahead: What goals has NORD/LB set for itself in 2018?

Dr. Hinrich Holm / Strengthening our capital ratios remains our top priority, as supervisory requirements will continue to increase. The "ONE BANK" programme should make the bank even more profitable. In the Ship segment, the path we have embarked on has proven to be very successful, and we will continue this course with a focus on continuously reducing the portfolio.

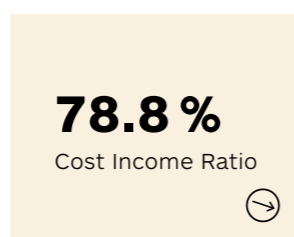
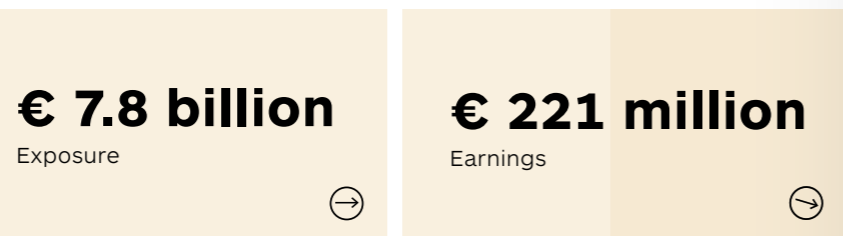
A tradition of proximity to our customers



Private and business customers

// Private customer business // Private banking // Commercial customer business
 // Insurance benefits for private customers

Earnings before taxes slightly improved despite the sale of NORD/LB Wealth Management Luxembourg. Former Bremer Landesbank's private banking was fully integrated. Furthermore we focussed on expanding the online activities and implementing a new digitalisation strategy.



Whereas business volume remained unchanged, earnings before taxes rose slightly.



Brief profile of the business segment

- // A tradition of more than 250 years and an extensive network of almost 100 locations throughout the Braunschweig region
- // An offering of need-based advisory (online and by phone via BLSK.direkt) and selected products and services for all private and commercial customers in the Braunschweigische Landessparkasse (BLSK) business region, in Hanover and Hamburg, and in Bremen and Oldenburg
- // Inheritance and foundation management, portfolio management and individual asset management in the private banking segment of NORD/LB and BLSK
- // Strong with partners like Öffentliche Versicherung Braunschweig, LBS Nord (building society), Deka, Deutsche Leasing, S-Kreditpartner and the Versicherungsgruppe Hannover (insurance companies)

“Excellent asset manager” – for the 14th year in a row

Once a year, “Elite Report” and the “Handelsblatt” newspaper name the best asset managers in German-speaking countries. During their stringent review, they analyse a total of 40 parameters, including performance, value retention and resistance against fluctuations in value. Each year, only around a tenth of the 350 or so candidates earn a distinction. At the end of 2017, Bremer Landesbank (BLB) – which is now part of NORD/LB – received the coveted title of “Excellent asset manager” for the 14th year in a row.

“Its systematic advisory process provides the bank’s asset management services with well thought-out guidelines that offer impressive results. Throughout northern Germany, the bank’s asset management services serve as the measure of success for its customers.” The jury’s judgement confirms our strategy, which is based on an active understanding of our customers and defensive asset management. In this way, Private Banking constantly creates added value for customers’ assets, despite negative conditions, such as economic crises, zero interest rates and inflation.

Regional focus and a high level of industry expertise



Corporate customers

// Corporate customers // Agricultural banking // Housing
// Savings bank syndication business // Corporate finance

In a competitive market environment we were able to expand our business thanks to the tailor-made approach, especially in issuing promissory notes and in the field of domestic social housing.

€ 28.5 billion

Exposure



€ 443 million

Earnings



€ 170 million

Expenses



€ 273 million

Operative earnings



€ 243 million

Earnings before taxes



€ 30 million

Loan loss provisions



38.3 %

Cost Income Ratio



Earnings before taxes rose by 21.5 per cent compared to the previous year.



Brief profile of the business segment

- // Stable business development with existing and new customers in the corporate customer segment
- // Tailor-made financial solutions for SMEs – partly in close cooperation with the Savings Banks
- // Strong position and high competence in acquisition finance business confirmed
- // Extended market position as an important financier in the field of agricultural banking
- // Successful marketing of asset- and structuring expertise in public housing segment
- // Successful strategic positioning with customers together with corporate finance (e.g. asset-liability management, capital-market financing, working-capital management and purchasing receivables)

At home wherever in the world our customers are located



References, case studies and more information on our **corporate customers** online at www.nordlb.com/corporate-customers/corporate-customers/

Many of our customers are expanding their business activities to Asian countries with strong growth rates. As a leading German regional bank, NORD/LB is also present in local Asian markets where we are needed. The Singapore branch with its 80 employees is our competence centre for credit and financing in the Asia Pacific. The “German Desk” offers our German small and medium-sized business customers a personal point of contact.

What moves the SME sector?

Since 2010, NORD/LB has reported on news and trends of special interest to small and medium-sized business in “52° NORD”, its magazine. The magazine highlights various sectors, markets and regions and shares the interesting thoughts of a range of different people. We provide specific solutions for our small and medium-sized business customers under “References” in the corporate customer section of the NORD/LB website.

In a strong position thanks to successful issues



Markets

Business with: // Institutional customers // Savings banks // Financial institutions
// Public-sector customers // Municipal customers

In line with the expansion of Debt Capital Markets for financial institutions and public issuers numerous new lead mandates were gained. 2016 higher profit was caused by an one-off effect (sale of custodian business).

roughly € 6 billion

benchmark issues within
NORD/LB Group



€ 318 million

Earnings



€ 138 million

Expenses



€ 180 million

Operative earnings



€ 181 million

Earnings before taxes



€ -1 million

Loan loss provisions



43.4 %

Cost Income Ratio



Profit from regular business activities (without one-off effect) remained on a solid base this year.



Brief profile of the business segment

- // Issuer of Pfandbriefe (public-sector, mortgage, ship, aircraft), lettres de gage ("Pfandbriefe" issued under Luxembourg law), bearer bonds, promissory notes, money market instruments
- // Successful positioning as lead manager/arranger for the placement of bond issues, in particular covered bonds
- // Comprehensive and tailored range of money and capital market products in the private placement segment
- // International funding programme: medium term € 25 billion (MTN), terms of <2 years totalling around € 17 billion
- // In 2017, a total of € 29.1 billion in securities at the NORD/LB Group that are eligible for ECB or Federal Reserve

One of the premier addresses for covered bonds worldwide

Within the Markets business segment, we strategically expanded the Debt Capital Markets segment for financial institutions and public issuers in 2017. In this context, we were again able to acquire a significant number of new issuers for lead mandates.

Our business activities focused primarily on the market for euro-covered bonds, once again achieving the top 15 positions in the Global League Tables, a global issuance ranking. NORD/LB thus remains one of the most successful placement banks for covered bonds worldwide.

In comparison to the issues of the German federal states, NORD/LB again ranked among the top five in the Global League Tables for the first time since 2015. We ended 2017 in fourth place as the most successful federal state bank in this segment.

Leading financier for innovative projects



Energy and Infrastructure Customers

// Financing for renewable energy // Infrastructure financing // Leasing

In a competitive environment we were able to maintain one of the leading financiers of renewable energies in our European core markets and expanded worldwide business.

€ 19.4 billion

Exposure



€ 227 million

Earnings



€ 107 million

Expenses



€ 170 million

Operative earnings



€ 134 million

Earnings before taxes



€ 36 million

Loan loss provisions



38.6 %

Cost Income Ratio



Due to the ongoing low interest-rate levels net interest income fell in 2017 compared to record year 2016. The cost-income ratio continued to be significantly better than in the bank's average business.



Brief profile of the business segment

- // Expansion and consolidation of the market position through long-term expertise and customer-oriented structuring in project financing of renewable energies
- // Focus on energy generation from wind (roughly 80 per cent), solar and biogas: leading financier in the European core markets of Germany, France, Ireland and the UK; expansion of customer base in North America and Asia in the energy sector
- // In terms of social infrastructure projects focus on education, housing, blue light and logistics/transport; public finance initiative/public private partnership business together with the public sector
- // For more than 25 years one of the leading financiers in Germany's leasing sector

New campus for the Cumbernauld high school



In 2017, the infrastructure team at NORD/LB received the Gold Award of the Partnership Awards in the category of "Debt Provider of the year". More information at www.nordlb.com/structured-finance/infrastructure/expertise/

Modern learning in Cumbernauld: NORD/LB is financing a school campus in this city in the Scottish district of North Lanarkshire. In addition to the school building itself, sports and parking areas, green spaces and a theatre are being built on the grounds. The extensive construction project with a total investment volume of just under GBP 37 million (approximately € 41 million) is scheduled for completion in 2021. In return for the provision of the buildings, the company established for project financing (SPV) receives annual payments from the municipality and bears no volume or utilisation risk.

Financing for the Detern community-owned wind farm

In the district of Leer in the state of Lower Saxony, our customer Innovent Planungs GmbH & Co. KG is developing the Detern wind farm with six wind turbines. NORD/LB is providing € 38.5 million in debt capital for the project. After the wind farm becomes operational, it will not just be part of the municipality geographically speaking: citizens have the opportunity to participate in the project – a concept that significantly increases the acceptance of wind energy by the local population.

On course to calmer waters



Ship Customers

Ship financing: Container ships // Bulk carriers // Tankers // Multi-purpose // Cruises // Ferries // Special ships

The consolidation in the shipping markets continued in 2017. We managed to reach our target of € 12-14 billion for year-end 2018 even one year early. Now, we aim to further reduce the shipping portfolio, the NPLs should comprise not more than € 5 billion.

€ 12.1 billion

Exposure



€ 323 million

Earnings



€ 117 million

Expenses



€ 206 million

Operative earnings



€ -740 million

Earnings before taxes



€ 946 million

Loan loss provisions



36.3 %

Cost Income Ratio



Net interest income fell due to the net reduction of the portfolio. Future new business in other ship industries should improve future earnings again.



Brief profile of the business segment

- // Great progress in the reduction of our ship portfolio: in 2017, the portfolio was reduced by a total of € 4.8 billion
- // Targeted reduction in challenging segments such as dry bulk and container ships – driven by, among other things, extraordinary repayments, support for disposals and placements
- // Selective new business in the areas of cruises, ferries and special tonnage (for example cement and asphalt carrier)
- // International focus with locations including Singapore and Shanghai
- // Further development of the business model by continuing to diversify the portfolio based on a more balanced spread of assets and regions, and by developing and broadening the product range

Five-star plus

In 2017 NORD/LB, in a consortium with KfW IPEX, financed four “five-star plus” luxury river cruise ships for Crystal River Cruises, a subsidiary of the Asian tourism company Genting Hong Kong. River cruises are a strong trend in their own right within the booming cruise segment. With a total financing volume of € 166 million – backed by 95 per cent Hermes cover – we are assisting Genting Hong Kong in expanding its range of products in this area.

We have had a business relationship with the customer for more than 20 years and have financed a total of 20 ships. The transaction underscores both our aim of expansion in the cruise segment as well as our success with our Asia strategy.

Forging ahead with a first-class portfolio structure



Aircraft customers

Aircraft financing: // Standard narrow-body aircraft // Wide-body aircraft // Regional jets // Turboprops // Helicopters // Engines // Finance and Operating Lease

The securitisation of bigger portfolio transactions is gaining ground in this segment. NORD/LB only partly holds the loans: Other investors step in and take over other parts of the loans.

€ 5.7 billion

Exposure

€ 115 million

Earnings

€ 33 million

Expenses

€ 82 million

Operative earnings

€ 80 million

Earnings before taxes

€ 2 million

Loan loss provisions

28.7 %

Cost Income Ratio

Due to the fact that NORD/LB only holds parts of the loans, net interest income fell in 2017. Net commission income rose instead.



Brief profile of the business segment

- // Portfolio with 535 aircraft, six helicopters and four (spare) engines with very broad diversification
- // Limited to assets with long-term value (aircraft and engines)
- // Portfolio with a very high collateralisation ratio (by 95 per cent)
- // Average age of the assets approx. six years.
- // Mostly Warehouse and operating-lease structures
- // One of the market leaders in aircraft financing: a wide range of commercial and covered financing for standard narrow-body and wide-body aircraft, regional aircraft and helicopters
- // Conservative focus and high level of risk awareness as well as ensuring adequate repayment terms/financing structures

Cargo aircraft for global e-commerce

The US leasing company VX Capital is the global market leader in the leasing of aircraft that are converted into cargo planes after their “first life” as passenger aircraft. These models have to be purchased quickly so the company needed a financing solution with maximum flexibility.

NORD/LB arranged what is known as “warehouse facility” financing for VX Capital with a volume of USD 125 million. The customer receives a credit line that enables them to purchase and lease aircraft and establish a portfolio with little lead time – without having to worry about long-term financing like the competitors. In return, we will participate in the subsequent placement of the portfolio on the capital market.

The lessees of the approximately 25 aircraft financed are from all over the world. The first aircraft are already flying in Belgium, Mexico, Sweden and Iceland. They are all used to transport goods in the e-commerce growth market. As a result, we will also benefit from this megatrend in the course of this transaction.

Sustainably good performance – despite intensive competition



Real Estate Customers

// Commercial real estate financing // Community real estate financing

In a challenging environment we achieved a new business volume on high level in this business segment, dominated by Deutsche Hypo, again. We hold on to our conservative risk policy and our high standards of quality for new business. In 2017, we were able to close a lot of new attractive deals again.

€ 15.8 billion

Exposure



€ 212 million

Earnings



€ 63 million

Expenses



€ 149 million

Operative earnings



€ 153 million

Earnings before taxes



€ - 4 million

Loan loss provisions

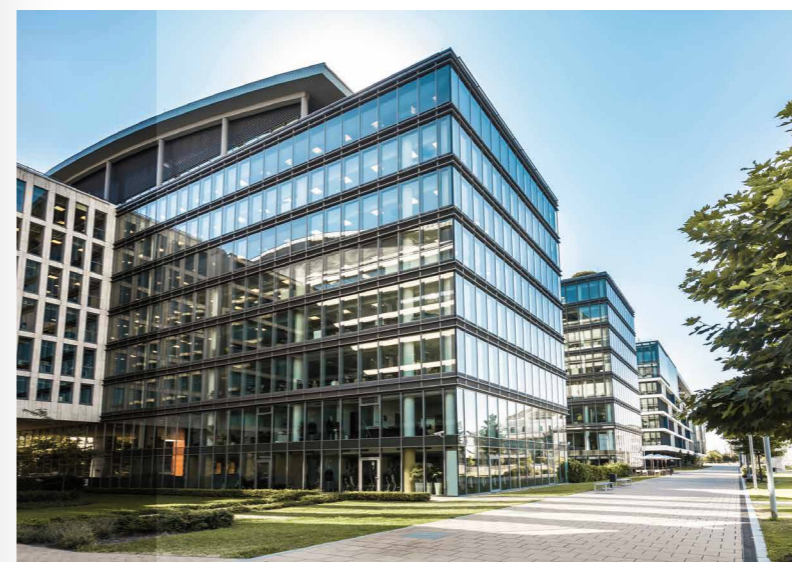


29.8 %

Cost Income Ratio



Domestic social housing business of former Bremer Landesbank is now being part of Corporate Customers segment instead of Real Estate Banking Customers. Standard business remained unchanged in this segment.



Brief profile of the business segment

- // Deutsche Hypothekbank as a competence centre for commercial real estate financing in the NORD/LB Group, support for the German housing industry by NORD/LB in Magdeburg
- // Financing mainly of office and commercial buildings, shopping centres, hotels, logistics buildings and multi-storey residential buildings in preferred metropolitan areas
- // Financing concentrates on Europe with focus on Germany; financing of commercial real estate in UK, France, Benelux, Spain and Poland
- // Financing of international community real estate
- // Successful strategic cooperation with pension funds as a partner for large-volume financing

Modern industrial park behind a historical facade

In 2017, Deutsche Hypo financed the industrial park “Phoenixhof” for the Essen Group: The factory site in Hamburg-Ottensen dates back to the early 20th century and today houses offices, retail shops, restaurants and a television studio. The financing volume was a total of € 44 million. In addition to the financing of the existing portfolio, two further office properties will be built as part of the project development. As a result, the leasable area increases to more than 20 000 square meters.

Deutsche Hypo’s first green mortgage bond

At the end of 2017 Deutsche Hypo issued its first green mortgage Pfandbrief. It is the second bank in Germany to successfully place a green Pfandbrief in benchmark format on the capital market. The six-year issue has a volume of € 500 million. It combines the quality product Pfandbrief with the financing of exclusively energy-efficient real estate – and is thus an ideal fit for our sustainability strategy.

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