

Norddeutsche Landesbank Girozentrale

(Anstalt öffentlichen Rechts)

Annual Report 2015

NORD/LB at a Glance

	1 Jan. – 31 Dec 2015	1 Jan. – 31 Dec 2014	Change (in %)
Figures of success (in € million)			
Net interest income	1 520	1 421	7
Net commission income	185	138	33
Profit / loss from trading portfolio	66	16	> 100
Administrative expenses	815	852	- 4
Other operating profit / loss	- 98	- 64	52
Operating result before risk provisioning / valuation	858	659	30
Valuation result of receivables, securities and investments	570	374	52
Assumption of investment losses	46	28	67
Allocation to funds for general banking risks	-	-	-
Operating result after risk provisioning / valuation	242	258	- 6
Extraordinary profit / loss	- 25	- 54	- 53
Partial profit transfer	- 73	- 70	4
Tax expense	- 107	4	>- 100
Profit for the year before appropriation of earnings	37	138	- 73

	1 Jan. – 31 Dec 2015	1 Jan. – 31 Dec 2014	Change (in %)
Balance figures (in € million)			
Total assets	122 960	131 022	- 7
Liabilities to customers	43 017	40 146	7
Loans and advances to customers	58 955	58 105	1
Equity	6 689	6 782	-1
Regulatory key figures			
Common equity tier 1 capital (in € million)	6 409	6 364	
Tier 1 capital (in € million)	8 283	7 865	
Total capital ratio (in %)	19.00	17.64	

NORD/LB Ratings (long term / short term / individual)
Moody's A3 / P-2 / ba2 Fitch Ratings A/F1/bbb-

Due to rounding minor differences may occur in the totals and percentages calculated in this report.

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The Bank - Basic Information

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Business Model

NORD/LB Norddeutsche Landesbank Girozentrale (hereafter NORD/LB or the Bank) is a registered public institute with registered offices in Hanover, Braunschweig and Magdeburg. Its head office is in Hanover. The owners of the Bank are the federal states of Lower Saxony and Saxony-Anhalt, the Association of the Savings Banks of Lower Saxony (Sparkassenverband Niedersachsen, SVN) in Hanover, the Holding Association of the Savings Banks of Saxony-Anhalt (Spakassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungs-zweckverband Mecklenburg-Vorpommern).

The issued capital amounts to €1 607 257 810, with the federal state of Lower Saxony holding 59.13 per cent (of which 33.44 per cent is held in trust for the state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt 5.57 per cent, the Lower Saxony Association of Savings Banks and Giro-banks 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania 3.66 per cent.

NORD/LB is a business bank, landesbank (state bank) and a central bank for the savings banks operating in Northern Germany and beyond the core region with branches in Hamburg, Munich, Düsseldorf, Schwerin, London, New York, Shanghai and Singapore.

As a landesbank for the states of Lower Saxony and Saxony-Anhalt, it performs the functions of a central and clearing bank for the savings banks (Girozentrale). The Bank also handles promotional loans on behalf of the federal states through Investitionsbank Sachsen-Anhalt, an institute of Norddeutsche Landesbank Girozentrale, and through Landesförderinstitut Mecklenburg-

Vorpommern (LFI), a division of Norddeutsche Landesbank Girozentrale.

NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony and is the partner for all of the savings banks in these states. It also acts as a service provider for savings banks in other German states such as Schleswig-Holstein. NORD/LB provides all of the services which the savings banks require for their activities.

In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergy effects, reinforcing customer divisions and bundling service offerings. The NORD/LB Group comprises among others

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (hereafter Bremer Landesbank),
- Norddeutsche Landesbank Luxembourg S. A., Covered Bond Bank, Luxemburg-Findel (hereafter NORD/LB CBB),
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (hereafter Deutsche Hypo),
- LBS Norddeutsche Landesbausparkasse, Berlin, Hanover (hereafter LBS).

The Bank also holds other investments as shown in the disclosures of the notes.

Business Segments

Private and Commercial Customers

As well as business with private, individual, commercial and small-business customers, the “Private and Commercial Customers” segment also includes middle-market corporate customer business in the Braunschweig region, Hanover and Hamburg. While NORD/LB is present in the last two locations in its own name, in the Braunschweig region it conducts its business under the name “Braunschweigische Landessparkasse” (BLSK).

Braunschweigische Landessparkasse is a sales savings bank with an extensive presence throughout the Braunschweig, Wolfenbüttel/Bad Harzburg, Helmstedt/Vorsfelde, Salzgitter/Seesen and Holzminden regions. In order to take into account the changes in BLSK’s sales channel network, regional responsibilities in the business region were reorganised in 2015. The three regions Braunschweig, Nord/East and South/West have replaced the five aforementioned regions.

Support will also be provided in the Individual Customers and Private Banking and Commercial and Corporate Customers subsegments in Hanover and Hamburg. The product range in the retail segments is based on the customer-specific savings bank finance concepts (S finance concepts) and comprises all of the banking services and products for lending business and investment business including fund products, primarily of DEKA, and all financial services including insurance, real estate brokering and building society savings.

The strategic goal is to consolidate the leading market position in the business region by increasing market shares in the high-potential areas of the Private and Commercial Customers segment. NORD/LB also wants to establish itself as the first choice in the Private Banking and Corporate Customers

segments in its locations in Northern Germany with excellent service and advice.

Corporate Customers

NORD/LB conducts its Corporate Customers business nationwide. It comprises the Middle-Market Corporate Customers business (not in the business region of BLSK), Agricultural Banking and Housing. At the same time NORD/LB acts as a partner for the savings banks and their corporate customers for syndicate business in the network region with an extensive product range.

As a full-service provider, NORD/LB provides its corporate customers with an extensive range of traditional banking products and services. The services include transaction management, tailored business financing, management of interest and currency risk and complex financing solutions. Professional liquidity and risk management, the structuring of equity and innovative financing instruments supplement the product range.

In its Corporate Customers business, NORD/LB aims to position itself as a quality service provider in its core region with nationwide appeal as one of the top addresses for Middle-Market Customers. By expanding the customer base and extending the product range and strengthening the sales channels, it aims to intensify existing customer relations, acquire high-potential new customers and increase the granularity of the customer and business portfolio. The essential aim is to achieve core-bank status with customers.

NORD/LB’s municipal lending business, for which the Corporate Customers segment is responsible, concentrates on Northern Germany and in particular on its owners’ regions. In addition to traditional and alternative municipal financing, NORD/LB provides municipalities with comprehensive advice on all matters concerning municipal finance. NORD/LB is also involved in nationwide projects to develop the collaboration with municipalities. In this respect interest and debt

management needs to be mentioned. NORD/LB offers municipalities continuous support on the way to optimising their interest charges.

Markets

NORD/LB's Markets segment provides market access for the Financial Markets activities performed on behalf of customers. The segment is also responsible for the sales of savings banks and institutional customers. This customer group primarily comprises insurance companies, asset managers, investment companies, banks and savings/regional banks, central banks, pension funds, the German and federal governments and social insurance schemes. Advice and support for Financial Markets products in other business segments is provided by Corporate Sales.

Traditional capital market products, alternative products which are detached from retail banking including derivatives, e.g. special kinds of debt securities, and tailored capital-market-related products for institutional customers such as corporate bonded loans, the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered. In the secondary business all kinds of securities are sold and traded.

The Markets segment is pursuing a customer-oriented growth strategy. This will be achieved by intensifying the existing customer care with a multi-products approach, the systematic acquisition of new customers (regional banks, savings banks, pension funds) and the increasing placement power in Asia and the USA. This should establish the placement and risk-distribution products of NORD/LB and its cooperation partners among customers and investors.

Within the savings bank network, NORD/LB's Markets segment provides the savings banks with both retail and capital market products. Business with the savings bank network also comprises the

KfW development business and the relationship function with publicly-owned savings banks.

Energy and Infrastructure Customers

In the Energy and Infrastructure Customers segment, the focus of activities is on the growth sectors of energy and infrastructure. The central locations of the strategic business segment are Hanover and London, with support also being given to customers from the New York and Singapore branches. In this segment NORD/LB concentrates on the structuring and arranging of individual financing solutions for primarily project-related transactions.

In the area of energy, the focus is on financing energy production from wind and solar energy/photovoltaics in Germany and other selected countries. Gas power plants and gas pipeline projects are also financed. NORD/LB has been active in the renewable energies sector since the beginning of the 1990s. Its core customers include established project developers, operating companies and plant manufacturers.

In the Infrastructure segment, NORD/LB focuses on the structuring of projects in the public sector (public private partnership/private finance initiative). Here NORD/LB finances projects in the areas of social infrastructure and transport infrastructure. NORD/LB supports its customers from the start of the invitation-to-tender process to the conclusion of contracts and the commencement of operations for the respective project.

It is expanding its business volume by focusing on the growth sectors of energy and infrastructure. The resulting increase in the share of business will increase NORD/LB's income and risk diversification. The widening of advisory and structuring services will sustainably increase commission income. In order to increase the earnings base while maintaining the same risk structure, part placements are made in the segment.

Ship Customers

This segment comprises asset-related ship financing and operates primarily from the office in Hanover, flanked by the branches in Hamburg, Singapore and (prospectively) New York and London. The many years of expertise in this asset class and the ability to develop tailored financing solutions for customers provide the basis for the positioning in the global ship finance market. Traditional finance products are completed by a range of additional services so that NORD/LB can offer its customers comprehensive solutions from a single source.

The business volume is being increased in the Ship Customers segment by focusing on cruise ships and ferries and very selectively offshore ships at the expense of commercial shipping. The aim is to consolidate the Ship Customers segment's good position in the market. Active portfolio management and optimisation is done by using of suitable placement products and refinancing instruments. The target customers are primarily shipping lines and inland shipyards that have a good credit rating, are in a good financial position and have a convincing and crisis-tested market strategy.

The business approach is being developed in a targeted manner by further diversifying the portfolio with a more balanced distribution of assets and regions and by developing and expanding the product range.

In addition, the continual development of exit channels is being pushed in order to strengthen NORD/LB's active portfolio management.

Aircraft Customers

In the Aircraft Customers segment activity focuses on asset-related financing, with the result that the lending product range is geared towards the needs of aircraft leasing companies and airlines. NORD/LB has been active in this segment for more than 25 years and has been one of the world's

leading providers of commercial aircraft finance for many years. The product range includes established and innovative types of finance, focusing on operating leases and portfolio transactions. In addition to lending products, comprehensive advisory, agency and cross-sell services are offered in order to cover all customer and investor needs.

Regarding the selection of assets, NORD/LB deals primarily with modern and fungible commercial aircraft produced by well-known manufacturers. Recently the expertise has been extended to helicopter finance, with the first transaction added to the portfolio in the past financial year. The segment's good position is consolidated by active portfolio management and optimisation with the use of suitable placement products and funding instruments (e.g. Pfandbriefe).

Real Estate Banking Customers

Since 2008 commercial real estate finance has been concentrated in the wholly-owned subsidiary Deutsche Hypothekbank (Actien-Gesellschaft). NORD/LB will continue to be liable for a small credit portfolio, which will be managed by Deutsche Hypo within the scope of a mandate.

This real estate portfolio of NORD/LB mainly comprises existing finance in the markets of Germany, United Kingdom (UK), France and Benelux. Finance from Spain and the USA is also included. Besides finance for office and retail properties, the property portfolio includes multi-storey residential properties, hotels and logistics properties.

The strategic development of the Real Estate Banking Customers segment is managed in Deutsche Hypo. NORD/LB therefore no longer takes on new business, and as a result NORD/LB's real estate finance portfolio will be steadily phased out in the next few years.

Group Controlling/Others

Reported under Group Controlling/Others are all sources of income directly related to business activities which are not controlled by the segments. These are mainly sources of income which are not allocated to the profit centres, such as investment and financing income (among others, income from investments of capital) and administrative expenses relating to non-allocated service centre items and projects covering the entire bank. Elements of other operating profit/loss such as the bank levy, certain provisions, requirements for valuation and income realised from the liquidity reserve portfolio and the asset portfolio are also allocated to this segment. Also reported here are reconciliation items between profits/losses reported in internal accounting and externally in the income statement.

The Financial Markets segments reported here are key for controlling interest-rate, exchange-rate and liquidity risks and responsible for funding and provide access to the national and international financial markets (Treasury Division). For the short-term funding and liquidity control, the Financial Markets segments use the various instruments of the European Central Bank in addition to the interbank market and the repo market. The funding mix is supplemented by new issue business in euros and US dollars. In addition, for the purpose of overall bank control and RWA management (Bank Assets Allocation Division), investments are completed in the banking book. The portfolios are subject to the control of NORD/LB's Asset Liability Committee.

Strategic Development of NORD/LB

NORD/LB is a customer-oriented bank that focuses on lending business. Its business model reflects with its business activities its role as a business bank, landesbank (state bank) and the central bank for the savings banks. Granularity, diversification and a conservative risk policy are the principles for its basic strategic direction. Its risk philosophy is expressed in strict financing principles and an asset-based financing approach for complex assets such as ships and aircraft, which, besides providing high collateralisation rates and protection against inflation, also provides opportunities for funding with assets that can serve as collateral (e.g. Flugzeugpfandbriefe). Overall NORD/LB aims to achieve a business mix in the long term which provides a balance between large-volume special finance business with Ship and Aircraft Customers, Energy and Infrastructure Customers on the one hand and business activities with granular risk structures in the Private and Corporate Customers segment and with institutional customers and savings banks on the other. In this way NORD/LB expects to continue to benefit from the high level of diversification in its business portfolio with activities in sectors with different market cycles. Focus is also being placed on separating new business growth from balance sheet growth. NORD/LB therefore aims to extend its value chain by using its competence in structuring the financing of complex assets and the associated expertise in various sectors in order to offer institutional capital market investors credit-based investment products. As well as the portfolio-related aspects of diversification, NORD/LB's business activities continue to be strongly influenced by the interests and needs of its owners and the economic structures of its owner states. The strategic goal for 2020 at the level of NORD/LB AöR is to improve the Return on Equity (RoE) to over seven per cent and at the same time keep the cost-income rate (CIR) below 55 per cent. In addition to

meeting the economic goals, focus will also be placed on meeting regulator requirements.

Private Customers

The Private and Commercial Customers segment, which through the founding institutes of NORD/LB can look back on 250 years of history and therefore represents the nucleus of today's bank, has always been very important for NORD/LB and is a mainstay of the business model. Taking into account changing customer needs and demographic developments, in particular in retail business the strategic focus should be on pushing product innovation, the continual automation and improvement of value-adding processes and digital sales. The goals for 2020 are a CIR of around 80 per cent and a RoRaC of at least seven per cent.

Corporate Customers

Providing credit to the regional economy is one of the primary tasks of a landesbank. Nothing defines the Lower Saxony economy as much as its successful automotive industry; however, there are many more sides to the economy. Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania are states with vast expanses of land and the quality of the soil and the flat topography provide ideal conditions for high-yield and efficient farming. Agriculture therefore accounts for a major part of economic activity in this region. This is reflected in NORD/LB's business model, with the Agricultural Customers subsegment as an important part of the Corporate Customers segment. A further speciality of the Corporate Customers segment lies in the financing of municipal housing companies. NORD/LB's Corporate Customers segment also covers a wide range of other sectors in which NORD/LB provides finance to regional SMEs in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania. In doing so it cooperates closely with the regional savings banks. NORD/LB is striving to expand its Corporate Customers business by being present in locations

outside of the owners' regions and achieve in the long term a CIR of below 35 per cent and a RoRaC of approx. 15 per cent.

Savings Bank Network

NORD/LB acts as the central bank for the savings banks in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania and provides them with all of the services they need in their role as the regional business bank. This business is part of NORD/LB's genetic code and will be strengthened by focusing on lending business and capital market business. The savings bank network is not a segment in the sense of the bank, but has a cross-segment function in the Corporate Customers and Markets segments. Therefore no quantitative strategic goals are defined.

Markets

A further important role of a landesbank is to provide loans for municipalities. In view of the fact that NORD/LB covers large parts of its own funding requirement with capital market instruments, it has already started to use its related market knowledge and skills to advise issuers of debt securities on the structuring and placement of such securities. It is today one of the key players in issuing and trading of public-sector debt instruments, Pfandbriefe and other interest-bearing securities in Germany. Business with institutional customers is becoming increasingly important in the context of the intended expansion of the product range with semi-liquid investment products. Strategic goals for the Markets segment are a CIR of below 45 per cent and a RoRaC of between 25 and 30 per cent.

Ship Customers

All of the major German sea ports are located in the North Sea and Baltic Sea regions, therefore many German shipping lines are based here as well. It is due to this reason that NORD/LB accumulated its expertise in ship financing, and today this is an important part of the business model. Ship financing will remain a mainstay of the business

model in future. The downsizing of commercial shipping in combination with a widening of the customer base and the building up of the offshore, cruise ship and special tonnage segments should contribute towards greater diversification and a balanced risk structure. It is likely that the measures for the shipping crisis will work against the achievement of the strategic goals for 2020. However, a balanced result and a CIR of below 25 are expected.

Aircraft Customers

Lower Saxony is the third largest location for the aviation industry in the world after Seattle and Toulouse. In addition to the Airbus locations in Buxtehude, Stade, Varel and Nordenham, a large number of middle-market suppliers based all over the federal state play an important role in this industry. In its aircraft financing, NORD/LB maintains business relations with major aircraft manufacturers and suppliers who have moved to Northern Germany, and finances aircraft for well-known major airlines. NORD/LB believes that aircraft financing offers growth and earnings potential in particular in Asia and that this should be tapped on a prospective basis. In the aircraft sector, in order to further extend activities, as well as opening up further aircraft segments (e.g. helicopter and cargo aircraft), the addition of higher-margin credit products to the product range is being considered. The CIR and RoRaC should remain in the long term at the strong level of approx. 20 per cent.

Energy & Infrastructure Customers

The favourable climatic conditions in Northern Germany provide NORD/LB with the opportunity to support economically viable projects. This has helped the region become the leading producer of in particular renewable energies in Germany. Here the focus is on the building of wind parks and solar/photovoltaics and biogas plants. Renewable energy business and infrastructure projects will continue to play an important role in

NORD/LB's business model. The business volume should be expanded specifically in these segments, including some international projects in order to achieve greater diversification at country level as well. The widening of advisory and struc-

turing services should sustainably increase commission income. All of these measures should result in a CIR of below 40 per cent and a RoRaC of between twelve and 15 per cent.

Control Systems

NORD/LB's control system is based on an annual process in which the strategic objectives are confirmed or revised in the spring by the Managing Board, based upon which the targets for the plan for the following year are set in the autumn. In a two-way process, the top-down/bottom-up planning is synchronised and completed by the year-end.

The key control indicators here are Return on Equity (RoE) and at business segment level the return on risk-adjusted capital (RoRaC), the cost-income ratio (CIR) and the operating result after risk provisioning and valuation.¹⁾

Return on equity (RoE) for the overall bank =	Net income before taxes / Long-term equity under commercial law Long-term equity under commercial law = reported equity capital - silent participations - net income after taxes + fund for general banking risks
Return on risk adjusted capital at segment level (RoRaC) for the business segments =	Earnings before taxes ²⁾ / committed core capital (8 per cent of the higher of the total risk exposure amount ³⁾ limits and the amount called on)
Cost-income ratio (CIR)	Administrative expenses / Total earnings ⁴⁾

¹⁾ Corresponds with the earnings from normal business activities in accordance with the Income Statement.

²⁾ Segment contribution to profit before taxes.

³⁾ The total risk exposure in accordance with Art. 92 (3) of the CRR is used as the denominator in the ratio to calculate the total capital ratios. It is made up of the risk-weighted exposure values for credit and dilution risk, counterparty risk from trading book activity, market-price risks, trading book activity, CVA risk (credit valuation adjustment) and operational risk.

⁴⁾ Total of net interest income, net commission income, net income from the trading portfolio and other operating profit/loss.

In the following chapters arrows are used to illustrate changes. The table below shows what the different arrow directions mean.

→	Change between -5 und +5 per cent
↘	Change between -15 und -5 per cent
↗	Change between +5 und +15 per cent
↓	Change more than -15 per cent
↑	Change more than +15 per cent

Risk Management

Fundamentals

The business activities of a bank inevitably involve the conscious undertaking of risks. Efficient risk management in terms of a risk-and-return-oriented allocation of equity is therefore a key component of modern bank management and a high priority for NORD/LB. Risk management is primarily based on the controlling of risks.

From a business point of view, NORD/LB defines risk as being potential direct or indirect financial losses due to unexpected negative differences between the actual results and projected results of business activity.

At least once a year NORD/LB conducts and when required, a multi-stage process to develop an overall risk profile in accordance with legal requirements. The overall risk profile comprises the risk types relevant for NORD/LB. A distinction is also made between material and non-material risks. Material in this context are all relevant risks which could have a negative impact on the NORD/LB Group's capital resources, earnings, the liquidity position or the achievement of NORD/LB's strategic goals.

Identified as material risk types were credit risk, investment risk, market-price risk, liquidity risk and operational risk. Also considered to be relevant are business and strategic risk, reputation risk, syndication risk, pension risk, model risk and real estate risk. All material risk types are controlled by NORD/LB's risk-management system. The material risk types consider all relevant risks.

According to § 25a of the German Banking Act in conjunction with the Minimum Requirements for Risk Management (MaRisk), a proper business organisation includes the specification of strategies on the basis of procedures for ascertaining and securing risk-bearing capacity, which com-

prises both risks and the capital available for covering these risks.

In line with the existing risk management of the NORD/LB Group, the Managing Boards of NORD/LB and Deutsche Hypo decided on 30 June 2013 to announce the use of the waiver option by Deutsche Hypo in accordance with § 2a no. 1 in the version of the German Banking Act applicable at this time. The profit-and-loss transfer agreement concluded for an indefinite period of time by Deutsche Hypo and NORD/LB constitutes the basic prerequisite for this.

Strategies

The responsible handling of risks is the uppermost priority in the business policy of NORD/LB. The risk strategy is accordingly drafted conform to the business model, the business strategy and the specifications of the risk strategy of NORD/LB and it is reviewed at least once a year. It accordingly contains information on the principles of risk strategy, the organisation of the risk management and on sub-strategies for risks relating to the material risk types.

The core element of the risk strategy is the Group-wide risk-bearing capacity model (RBC model), on the basis of which risk appetite is specified. For NORD/LB it was conservatively determined that normally in a going-concern scenario as the primary control group at most 80 per cent of the risk may be covered with risk potential. 20 per cent of the risk capital is held as a buffer.

The maximum risk capital is also allocated to the material risk types in the risk strategy on the basis of the RBC model. Most of the cover pool is allocated to credit risk, reflecting NORD/LB's focus on customer-oriented lending business. NORD/LB is responsible for determining the allocation relevant for NORD/LB, although this must be consistent with the allocation for the NORD/LB Group.

The risk strategy aims at achieving an efficient management of all material risk types and at achieving a transparent presentation of these risks to the management, the supervisory bodies and other third parties with a justified interest. Based on this, NORD/LB has a range of further instruments at operational level which ensure that there is sufficient transparency of the risk situation and structure the required limitation and portfolio diversification in a way which can be controlled and monitored. These instruments are described in detail in NORD/LB's risk manual.

Furthermore, NORD/LB has also made commitments in the restructuring plan agreed with the EU which are considered in the risk management.

Structure and Organisation

Responsibility for the NORD/LB's risk management lies with the Managing Board of NORD/LB. The Managing Board coordinates the higher Group risk strategy and its amendments in the Erweiterter Konzernvorstand (Extended Group Managing Board), which also includes the Chairmen of the Bremer Landesbank, NORD/LB Luxembourg CBB and Deutsche Hypo. Following the adoption of the Group risk strategy and the risk strategy of NORD/LB by the Managing Board of NORD/LB, they are then submitted to the Supervisory Board of NORD/LB for its information and discussed with it. The Group's risk strategy was again reviewed and updated in the year under review.

The responsible Chief Risk Officer (CRO) in the Managing Board of NORD/LB bears, in concert with the heads of the market departments, responsibility for drawing up and monitoring the risk strategy. This includes the monitoring of material risks including the risk reporting.

NORD/LB's Finance and Risk Control Division is responsible for updating and developing the RBC model, continually monitoring compliance and regularly reviewing the risk strategies of NORD/LB.

In addition to the Erweiterter Konzernvorstand, various other committees are involved in the risk management of NORD/LB:

- **Konzernsteuerungskreise (Group Control Committees):** A system of Konzernsteuerungskreise (KSK), whose members are, depending on the Konzernsteuerungskreis, various members of the Managing Board and divisional heads of the significant companies of the NORD/LB Group from a risk point of view, supports the institute-wide control.
- **Methods Board:** In the Methods Board appropriate standards are developed and approved for key risk controlling methods and reports at the level of the NORD/LB Group. The members are the heads of specialist departments of significant companies of the NORD/LB Group from a risk point of view.
- **Group Risk Committee:** The Group Risk Committee (GRC) is chaired by the Chief Risk Officer. Other permanent members are the director responsible for Special Financing and Corporate Customers, the director responsible for Financial Markets, the heads of the Central Management Risk, the Finance and Risk Control Division, Research/Economy and the credit back office divisions of NORD/LB and the risk officers at Bremer Landesbank, NORD/LB Luxembourg CBB and Deutsche Hypo. Further participants are invited when required. The GRC supports the Managing Board in the holistic consideration of risks. The focus of the GRC lies in considering the overall portfolio of the NORD/LB Group taking into account all material risk types and strengthening Group integration.
- **RWA(+) Board:** The RWA(+) Board is responsible for generating impetus in the operational control of risk-weighted assets (RWA). In addition to the Head of the Finance and Risk Control Division and the representatives of the market divisions of NORD/LB, among others the representatives of the Credit Risk Management and Finance Divisions have voting rights. In this

committee the relevant information on RWA and shortfall development and on economic and regulatory equity is analysed and combined in a forecast. In the RWA(+) Board possible measures are compiled, assessed and controlled in respect of their implementation.

- Other advising committees: The Konzernsteuerungskreise and the Managing Board are supported by a number of other committees which provide advice in specific areas. These include the Asset Liability Committee (asset strategies) and the Risk Round Table (governance, operational risk and compliance issues).

The structure and organisation of risk management in NORD/LB complies with the requirements of MaRisk. The process of risk management is subject to constant review and improvement. Adjustments which may be made cover organisational measures, adjustments to procedures for quantifying risk and the continuous updating of relevant parameters.

A risk-oriented and process-independent audit of the effectiveness and adequacy of risk management is carried out by NORD/LB's Internal Audit Division. As an instrument of the Managing Board it is part of the internal monitoring process. The aims of Internal Audit also include the monitoring of the effectiveness, the efficiency and correctness of business activities. It also facilitates the optimisation of business processes and of controlling and monitoring procedures.

The treatment of new products, new markets, new sales channels, new services and their variations is regulated in the new product process (NPP). The essential aim of the NPP is to identify, analyse and assess all potential risks for NORD/LB prior to starting the new business. This includes all of the essential audit areas, documentation of the new business activities, their treatment in the overall operational process, the decisions to start the business and where applicable the associated restrictions.

More detailed information on the structure and organisation of risk control is provided in the sections below on structure and organisation by risk type.

Risk-Bearing Capacity Model

The RBC model constitutes the methodical basis for monitoring NORD/LB's risk strategy. This monitoring is carried out by NORD/LB's Finance Risk Control Division.

The aim of the model is to aggregate and duly present the bank's risk-bearing capacity. The monitoring and reporting process is conducted regularly and guarantees that the responsible bodies are promptly informed about NORD/LB's risk-bearing capacity situation.

NORD/LB's RBC model consists of the three pillars of going concern, gone concern and regulatory framework, in which the respective material risks (risk potential) are compared with the defined risk capital.

The RBC model assumes the going-concern scenario to be the appropriate approach. The overriding objective of this control committee is the independent continuation of the business as a going concern based on NORD/LB's current business model even if all of the available cover pool is consumed by risks that have materialised. In the going-concern scenario risk potentials that are economically-calculated using a uniform confidence level of 95 per cent are compared with a risk capital which is calculated for the scenario of a bottleneck of available capital in accordance with the Capital Requirements Regulation (CRR) with fixed minimum ratios (total capital and Common Equity Tier 1) and adjusted for various aspects.

The second consideration level is the gone-concern scenario, which represents a secondary requirement in the RBC model. In the gone-concern scenario a higher confidence level of 99.9 per cent is considered from a risk potential point

of view. The economically-calculated risk potentials are compared with a risk capital that is based on the full regulatory capital.

The third consideration level of the RBC model is the regulatory scenario and the official notification of capital adequacy in accordance with the Capital Requirements Regulation (CRR). It considers the risk potentials calculated in accordance with regulatory requirements. The regulatory consideration is a strict supplementary condition in the RBC model.

On the capital side, both in the gone-concern scenario and in the regulatory scenario, tests are based on equity and equity-like components which according to banking regulations are to be classified as equity. In the gone-concern scenario the risk capital is adjusted to take into account various aspects (e.g. with the consideration of hidden liabilities). In the event of the capital required to cover risks in the gone concern being consumed, it would basically no longer be possible for the bank to continue under otherwise changed assumptions.

The design of the RBC model ensures that the gone-concern scenario can provide stimulus for the going-concern scenario, which is relevant for the assessment of the risk-bearing capacity. However, impetus directly relevant for control is provided by the going-concern scenario. Strategic limits are derived from the viewpoint of risk-bearing capacity taking into account the allocations of risk capital in NORD/LB's risk strategy based on the going-concern scenario.

When calculating risk-bearing capacity, risk calculations are also considered, both within a risk type as well as across risk types. Concentrations within a risk type essentially concern credit risks as the most significant risk type for NORD/LB. These are integrated via the internal credit risk model into the RBC model.

Concentrations across different risk types are considered by stress tests. In its risk control for the banks as a whole, NORD/LB employs its stress test instruments in order to analyse the effect of potential adverse scenarios and derive appropriate actions for risk management.

The revolving stress-testing process starts with a structured process to identify and determine the scenarios that are relevant for and represent a potential threat to the bank's business model. These scenarios are reviewed by a Case Manager who examines their economic cause-effect chains taking into account all of the risks and their impact on key control and risk variables. The focus is on understanding the interdependencies and deriving necessary actions.

In addition to this case-oriented procedure, the effects of a global recession on the bank's key control groups are reviewed ongoing. Risk-type-specific stress reviews are also conducted (for example as part of liquidity control).

The Finance and Risk Compass prepared on a quarterly basis and the preliminary summary of the risk situation of NORD/LB constitute the key instrument for the internal reporting of risks to the Managing Board and the Supervisory Board. Compliance with the specifications of the risk strategy on risk appetite and on the allocation of risk capital to the material risk types is therefore reviewed regularly.

In addition to receiving the report on risk-bearing capacity, the Managing Board is also informed about risks associated with covered bond business on a quarterly basis. The report prepared meets the requirements of § 27 of the German Covered Bond Act (Pfandbriefgesetz).

Credit Risk

Credit risk is a component of counterparty risk and is broken down into traditional credit risk and counterparty risk in trading. Traditional credit

risk defines the risk of loss involved when a credit borrower defaults or when the credit rating of such a credit borrower deteriorates. Counterparty risk in trading defines the risk of loss involved when a borrower or contract partner in trading transactions defaults or when the credit rating of such a borrower or contract partner deteriorates. It is broken down into default risk in trading, replacement risk, settlement risk and issuer risk:

- Default risk in trading defines the risk of loss involved when a borrower defaults or when the credit rating of such a borrower deteriorates. It equates to traditional credit risk and relates to money market transactions.
- Replacement risk defines the risk of the contract partner in a pending transaction with a positive present value defaulting and this transaction having to be replaced with a loss.
- Settlement risk is broken down into advance payment risk and clearing risk. Advance payment risk defines the risk when the bank has completed a payment of the counter-payment not being made by the contract partner or, if payments are offset, the balance not being paid. Clearing risk defines the risk of transactions not being able to be cleared by either party upon or after the expiry of the contractually agreed performance date.
- Issuer risk defines the risk of loss involved when an issuer or reference entity defaults or when the credit rating of such an issuer or reference entity deteriorates.

In addition to the original credit risk, cross-border capital transfer services involve country risk (transfer risk). This is the risk that, despite the ability and willingness of the individual counterparty to meet payment claims, a loss will occur as a result of overriding government hindrances.

Management

For NORD/LB lending business and the management of credit risks is a core competence that is to

be permanently developed and extended. NORD/LB sees itself as a reliable universal bank focusing on credit business and it positions itself with its customers accordingly.

In order to meet the specific requirements of each business segment, NORD/LB has established financing principles for the individual market segments classified in the strategic business segments as risk-relevant; these cover both market and back office divisions. These principles represent binding guidelines for new lending business and include the ratings of the target customers of the relevant market division.

New lending business focuses on concluding agreements with customers with a good credit rating. NORD/LB also concentrates on business with borrowers of good standing in the capital market business. Business is only conducted with customers who fall outside of the above credit rating focus only after careful consideration of their opportunity and risk profiles.

The controlling of NORD/LB's credit portfolio takes into account opportunities and risks. The aim is to produce competitive profitability and ensure efficiency and flexibility in terms of the active management of credit risk positions in order to minimise unexpected losses.

NORD/LB focuses regionally mainly on domestic business. Its foreign lending business focuses on developed countries and selected emerging markets. Regional concentrations are realised intentionally outside of Germany in the USA, UK and France. The focus is on commercial shipping, aircraft, energy, the automotive industry (including automotive banks) and real estate banking in accordance with the business strategies of the NORD/LB Group and NORD/LB is limited strategically to prevent risk concentrations.

The NORD/LB Group strives to achieve a highly diverse business portfolio by managing it with

asset classes in different market cycles. Here NORD/LB aims to achieve in the long term a business mix which provides a balance between large-volume special finance business with Shipping and Aircraft customers, Energy and Infrastructure Customers and Real Estate Banking Customers on the one hand granular business with Private and Corporate Customers, Institutional Customers and savings banks on the other. This mix should prevent cluster risks and make the portfolio on the whole less vulnerable to cyclical risks. At the level of the NORD/LB Group, no business segment should make up more than one quarter of the RWA and income of the NORD/LB Group. On the income side, in the long term a fifty-fifty mix between special finance and other business activities is sought.

Structure and organisation

A risk-related organisational structure and the functions, responsibilities and authorisation of divisions involved in risk processes are clearly defined at employee level. In accordance with the Minimum Requirements for Risk Management, processes in lending business are characterised by a clear organisational separation of the market and back office divisions, right through to management level.

NORD/LB market divisions conduct the operational financing business relating to customers, properties and projects on a national and international level within a framework of specified limits. They are primarily responsible for the core tasks of acquisition and sales. The market divisions are responsible for the initial vote, for structuring conditions and for earnings. In the case of minor-volume, low-risk exposures, the market divisions will in some cases also bear sole responsibility for the risk (unilateral authorisation) as well as responsibility for analysing and observing these risks.

Tasks relating to analysis (including assigning ratings) and risk observation as well as the specification of collateral values are combined in the Credit Risk Management (CRM) back office division. Real estate and special appraisals are exceptions here; these are carried out in a separate, market-independent valuation management process. The Credit Risk Management Division is also responsible for the second vote taken for decisions on individual loans. Exposures with a concentration of risks are also subjected to a credit rating process in respect of large exposure management. In a multi-stage reporting system, the division also prepares segment portfolio reports on selected subsegments at regular intervals.

The Credit and Collateral Management Division in the CRM is responsible for implementing the credit decisions for risk-relevant exposures including the contract documentation and for managing portfolios. With special finance the respective market division is responsible for these tasks.

The central management of risk concentrations in NORD/LB's credit portfolio is the responsibility of the Credit Portfolio Management Group which is part of the CRM. Concentrations are examined with regard to the size of a group of related customers in accordance with Art. 4 (39) of the CRR as well as by country and industry.

The processing of non-performing exposures or exposures requiring debt readjustment is the responsibility of the Special Credit Management (SCM) Division at NORD/LB. Credits with a rating of 11 on the rating master scale of the German Association of Savings Banks and Girobanks (DSGV) (i.e. allocation to the "high risk" category in accordance with the "Initiative Finanzstandort Deutschland" (IFD, initiative for Germany as a financial location) or lower must be reported to the SCM Division. Other defined indicators of risk (e.g. suspicion of behaviour not in the interests of creditors or the initiation of restructuring processes) may also require reporting. The SCM de-

cides whether it will assume full responsibility, whether coaching is to take place or whether the exposure remains in the Market or CRM Division with intensive support. From a rating of 16 (allocation to the IFD Default risk category (non-performing loans)), the SCM Division is obliged to take over responsibility for an exposure. Exceptions are made with both the reporting requirement and assuming of responsibility for low-risk business and business-specific reasons. For financial institutions including central governments and foreign regional authorities, asset-backed securities (ABS) and corporate bonds, processing takes place in the Credit Risk Management Division.

Credit decision authorisation is classified in accordance with the total loan eligible and the rating of a borrower. Credit decisions are always taken by an authorised person in a market division and an authorised person in a back office division (bilateral authorisation). The second vote is prepared in units independent of the market divisions in accordance with specified criteria. In addition to fulfilling the regulatory requirement of functional separation for credit assessments, this ensures that first-class credit decisions are taken on the basis of unified standards.

The Managing Board is responsible for controlling NORD/LB's loan portfolio. In performing its tasks, the Board consults among other things the Group Risk Committee, which ensures that a link between individual credit decisions and portfolio management is given and takes into account all types of risk. The GRC recommends to the Managing Board various instruments for this purpose such as the ordering of an acquisition stop, the limiting of national, industrial or borrower-related concentrations or making recommendations relating to the placement of exposures and sub-portfolios. Within the general guidelines set by the Managing Board, where necessary the GRC also determines individual strategies for individual

groups of related customers, countries and industries within the strategic limit systems. The individual credit decision remains the responsibility of the Managing Board.

From a certain volume, decisions are taken by the Managing Board or by the Risk Committee, a sub-committee of the Supervisory Board of NORD/LB. The Risk Committee participates in the process of granting loans in accordance with an authorisation regulation passed by the Supervisory Board. The acquisition of investments also requires the approval of the Supervisory Board, as do loans to executives.

The Finance and Risk Control Division is responsible for the methods for measuring credit risks and for credit risk-control-instruments. It is also responsible for the independent monitoring of credit and investment risk at portfolio level and for the reporting concerning this, and it is also where method-related responsibility for procedures relating to the economic quantification of counterparty risk lies.

Collateral

For the assessment of credit risks, in addition to the credit rating of borrowers or counterparties reflected in the rating, the customary bank securities available and other risk reduction methods are of importance. NORD/LB therefore accepts domestic and foreign securities in the form of property and rights (collateral) to reduce credit risk. When accepting collateral the cost-benefit relationship of the collateral is considered.

The collateral is assessed on a case-by-case basis both at the time the loan is granted and during the subsequent ongoing (normally at least once a year) monitoring as to whether it appears to be disposable at the assumed value based on foreseeable economic developments during the (remaining) term of the loan.

The credit guidelines and lending principles of NORD/LB specify which fundamental types of security and collateral should be used and the maximum loan (lending limit) which may be lent against the collateral. Sureties, credit securities similar to sureties, assignments of receivables and other rights, chattel mortgages, property, receivables and other rights and collateral assignment of chattel are accepted as credit security. Other collateral can be contracted with the borrower, but this does not reduce the unsecured portion of the exposure.

The legal portfolio of collateral is maintained in the dedicated Collateral Management System which is also used for the inclusion of collateral when calculating the capital adequacy requirement and for regulatory reports.

In order to ensure the legal validity and enforceability of collateral, standard contracts are mainly used. In addition to this, external legal opinions are obtained and the preparation of contracts is assigned to authorised law firms. At the same time the relevant legislation is monitored continually. For foreign collateral, monitoring is performed by international law firms.

Control and monitoring

In order to assess credit risks at NORD/LB, each borrower is rated within the framework of an initial or annual credit rating process and a cause-related rating or credit rating category is also determined for each borrower. The rating modules employed were either developed in various cooperation projects conducted by the savings bank financial group or the landesbanks or they were developed internally by NORD/LB.

A specific limit is stipulated for each borrower at individual transaction level within the scope of operational limiting in order to manage risks; this has the character of an upper limit. The significant parameters applied for deriving this limit are a

borrower's creditworthiness, expressed as a rating, and the funds that are available at the borrowers free disposal for making principal payments when servicing a loan.

Risk concentrations and correlations at portfolio level are shown by quantifying the credit-risk potential in the credit-risk model. Risk concentrations are also limited by country and industry limits at portfolio level as well as by the Large Exposure Management model for groups of related customers. The latter defines a loss-at-default limit for every rating which takes into account NORD/LB's risk-bearing capacity.

Securitisations

Securitisation is a further instrument available to NORD/LB to control credit risks. The aim of these securitisation activities is to optimise the yield/risk profile of the loan portfolio and to ease regulatory equity requirements.

In order to diversify the loan portfolio, credit risks in the banks own books can be transferred to other market participants (NORD/LB as an originator) or additional credit risks are taken (NORD/LB as an investor or sponsor). NORD/LB originated a new and topped up an existing securitisation transaction in 2015. As a sponsor, NORD/LB makes liquidity facilities available in order to improve the credit quality of the institute's own asset-backed commercial paper conduit programme Hannover Funding. NORD/LB also conducts securitisation activities as an arranger of structured transactions in the interest of customers.

Securitisation transactions are all subject to a strict process of approval and monitoring, so that potential risks before and after the conclusion of a contract can be identified and regulated. NORD/LB uses a risk classification system authorised by the regulatory authorities in accordance with the CRR as well as other approaches to assess the risk of securitisation transactions. NORD/LB pursues a

conservative exposure strategy in its role as investor and sponsor.

NORD/LB's exposure strategy focuses on a reduction portfolio and customer-oriented new business. There is a strategy to reduce NORD/LB's remaining investor portfolio, which involves selling and reducing the capital adequacy requirement while maintaining profit interests. New business concentrates on bigger, selected customers of NORD/LB and offers the financing of receivables with the conduit Hannover Funding LLC.

As the originator, NORD/LB topped up its "North-vest" securitisation transaction for institutional investors by € 5.1 billion. At the time of the top-up, the transaction was based on a reference portfolio of around 8,400 high-quality loans with a total volume of some € 14.7 billion, which includes finance from the four asset classes of aircraft, renewable energies, commercial real estate and German middle market. International institutional investors have taken on a mezzanine tranche of the top-up totalling € 178 million via an investment management company. NORD/LB benefited from a positive effect of up to 0.4 percentage points on the Common Equity Tier 1 capital ratio.

In the year under review NORD/LB did not have any hedged resecuritisation exposures or securitisation exposures with no collateral provided in the portfolio.

Assessment

Credit risk is quantified with the key risk figures expected loss and unexpected loss. Expected loss is determined on the basis of probability of default taking into account recovery rates. The risk premium, which must be collected in order to cover expected loss, is calculated using the same methods throughout the Group.

Unexpected loss for credit risk is quantified with the help of an economic credit risk model for four different confidence levels and a time frame of

one year. The credit risk model used by NORD/LB includes correlations and concentrations in the risk assessment and is subject to an annual review and validation.

The credit risk model calculates the unexpected losses at the level of the overall portfolio. The model used is based on the CreditRisk+ model. Using correlated sector variables, systematic industry effects are represented in the loss distribution. The estimated probability of default (PD) is based on the internal rating method. The Loss Given Default (LGD) is determined on a transaction-specific basis.

The credit-risk model works with a simulation method which also takes into account specific interdependencies of borrowers, e.g. on the basis of Group structures. In addition to default losses, losses that might be caused by rating migrations are also considered.

In order to calculate capital adequacy requirements for credit risks, NORD/LB uses the Internal Ratings Based Approach (IRBA). This does not apply to a small number of portfolios, for which the Credit Risk Standard Approach (CRSA) applies. NORD/LB has the relevant authorisation for its rating systems, for the Internal Assessment Approach (IAA) for securitisations and for the use of credit-risk-mitigation techniques. Further portfolios are to be gradually migrated from the CRSA to the IRBA.

Reporting

NORD/LB's Finance and Risk Control Division draws up among other things the Finance and Risk Compass for NORD/LB which shows and analyses all the significant structural features and parameters required for controlling the credit portfolio of the NORD/LB. The Finance and Risk Compass also includes in-depth analyses and stress scenarios relating to the credit portfolio. It is submitted to the Managing Board on a quarterly

basis and is further specified for individual sub-segments by Industry Portfolio Reports from the Credit Risk Management Division.

The Managing Board of NORD/LB also receives from the CRM Division other regular reports and reports as and when required on the credit portfolio of NORD/LB, e.g. on risk concentrations with groups of related customers, country and industry concentrations and commitments which need to be monitored (credit watchlist).

Investment Risk

Investment risk is another component of counterparty risk and defines the risk of incurring losses when making equity available to third parties. A potential loss due to other financial liabilities is also a component of investment risk, unless it was considered in the other risks.

In addition to the original investment risk, cross-border capital transfer services involve country risk (transfer risk).

Management

Securing and improving the bank's own market position is the primary motive behind the investment policy of NORD/LB. Generally investments serve to effectively consolidate the universal activities of the bank and to fulfil joint responsibilities resulting from the function as a state bank and a central bank for the savings banks. In order to support NORD/LB's business model, there is a deliberate focus on banks and financial companies.

The strategic objective of significant investments is to establish closer ties to support NORD/LB's customer-oriented business model. With all other investments, however, the general objective is to systematically reduce these where this makes sense from an economic and business point of view.

Bank interests are maintained in relation to investments primarily by centrally specifying key business ratios or specific tasks. The aim is to ensure that the bank is effectively managed and that transparency is guaranteed for third parties.

Structure and organisation

Risks resulting from investments are managed by NORD/LB's Investment Management in close cooperation with other divisions, in particular the Finance and Risk Control Division and the Finance/Tax Division. Domestic and foreign investments are managed by Investment Management. Minor exposures are controlled and supervised by the divisions initiating the exposure in each case due to the close factual connection. This is done in close cooperation with Investment Management. The management of the investment-specific database is the responsibility of the Finance/Taxes Division, which also arranges most of the regulatory reports.

The investment analysis developed by NORD/LB's Investment Management is an integral part of the measurement of investment risk and determine the significance of investments. Based on the analysis, which also expressly considers risks beyond the carrying amount, investments are classified consistently across all divisions as significant, important and other investments. The review considers both quantitative and qualitative criteria. The analysis methods and the materiality concept were reviewed in the year under review and refined in some areas.

The result of the materiality analysis determines how closely the risks are monitored in all divisions of NORD/LB. A further differentiation is made from a risk point of view for the treatment of significant investments. The significant investments based on quantitative criteria of Bremer Landesbank, NORD/LB Luxembourg CBB and Deutsche Hypo are considered in the internal and external reporting at the level of individual risk

type. The significant investment based on qualitative reasons, NORD/LB Asset Management Group (consisting of NORD/LB Asset Management Holding GmbH and NORD/LB Asset Management AG), is reported on together with the important and other investments as investment risk, but is subjected to closer analysis by the divisions involved in Investment Management.

Control and monitoring

Investments are regularly monitored by analysing reports drawn up during the year, intermediate and annual reports and audit reports drawn up by the auditors. Control is carried out by representatives of NORD/LB on supervisory boards, advisory boards, in shareholders' meetings, annual general meetings and owners' meetings as well as by means of holding operative mandates in the companies.

Assessment

The method for measuring investment risk also considers risks beyond the carrying amount, e.g. additional contributions, profit-and-loss transfer agreements and letters of comfort. In the category of investment risk, the risk potential is quantified for different confidence levels and a time horizon of one year using a risk model; the parameters that are used focus on loss events relating to investments. Further calculations are based on the Gordy model.

The model used calculates contributions made by individual investments towards expected and unexpected loss at portfolio level, which together add up to the risk potential for the full portfolio.

Reporting

Investment Management reports to the Managing Board and the supervisory bodies of NORD/LB twice a year on the investment portfolio. The report includes among other things an analysis of current development and, for significant and key

investments, the strengths and weaknesses of the investments.

In addition, the significant and important investments are reported on quarterly in the Finance and Risk Control Division's Finance and Risk Compass. In addition to this, realised or anticipated income from investments is reported on a monthly basis to the Finance/Taxes Division. The Finance and Risk Control Division also submits a report on the income and profitability of NORD/LB's largest investments consolidated under commercial law to NORD/LB's Managing Board.

Market-price Risk

Market-price risk is defined as the potential losses which may be incurred as a result of changes in market parameters. With market-price risk a distinction is made between interest-rate risk, currency risk, share-price risk, fund-price risk, volatility risk, credit-spread risk in the banking book and commodity risk.

- Interest-rate risk always occurs when the value of an item or a portfolio reacts to changes to one or several interest rates or to changes in full yield curves and when these changes may consequently impair the item. This also includes the credit-spread risk in the trading portfolio and the liquidity reserve in accordance with the German Commercial Code.
- Credit-spread risk in the banking book defines potential changes in value which would result in the banking book if the credit spread applicable for the respective issuer, borrower or reference entity used for the market value of the item changed.
- Other partial risks relevant for NORD/LB include the risk that the value of an item reacts to changes in one or more currency exchange rates (currency risk), share prices or share indexes (share-price risk), fund prices (fund-price risk) or volatilities applied for valuing options

(volatility risk) and the changes result in a reduction in the items value.

Management

The activities of NORD/LB associated with market-price risks are concentrated on selected markets, customers and product segments. Their positioning on money, currency and capital markets should be in line with the significance and dimension of the bank and is primarily geared towards the needs of customers and supporting the control measures of the bank as a whole. NORD/LB does not take up any positions on an opportunistic basis.

Trading activities relating to customer business focus on interest products. Here NORD/LB aims, within the scope of set market-price risk limits, to achieve earnings from term transformation or credit spreads and to participate in general market developments within the framework of these risk limits.

Credit investments in securities and credit derivatives result in significant credit-spread risks in the banking book. NORD/LB aims to use the credit spreads to maturity and to gradually reduce the amount of these credit investments by trimming down the portfolio.

Structure and organisation

The trading divisions Treasury, Markets and Bank Assets Allocation are responsible for controlling market-price risks in NORD/LB. Within the scope of their Global Head function, the trading divisions are also responsible for trading activities conducted at the foreign branches in London, New York, Singapore and Shanghai. Trading transactions are processed and controlled in separate divisions.

The strategic control of market-price risks is supported by the Asset Liability Committee (ALCO). The ALCO is an advisory body that normally

meets on a monthly basis at the level of NORD/LB. It supports the strategic control of market-price risk positions, liquidity positions and the investment portfolio with the aim of optimising the profitability of the risk capital tied up in the positions. For this purpose recommendations for action are developed as a basis for decision-making for the Financial Markets Director. The members of the ALCO with voting rights are, in addition to the director responsible for Financial Markets, the Managing Director of the ALCO and the heads of the trading divisions. Representatives of the Finance and Risk Control Division, the Research/Economy Division and the Finance/Taxes Division also take part. The measures are implemented by the Bank Assets Allocation Division and the Treasury Division.

Risks are monitored by the Finance and Risk Control Division, which in accordance with MaRisk operates independently of divisions responsible for market-price risk control in terms of both function and organisation and performs comprehensive monitoring, limiting and reporting activities for NORD/LB (including its foreign branches). This also includes calculating amounts eligible based on the internal risk model for the quarterly CRR report. The responsibility for the development and validation of the risk model also lies with the Finance and Risk Control Division.

Control and monitoring

For the internal control and monitoring and limiting of market-price risks, Value-at-Risk (VaR) methods are generally employed for all significant portfolios. The VaR limit for market-price risks is derived from the RBC model, allocated by Managing Board resolution to the Director who is responsible for Financial Markets and who delegates to the subordinate organisational units.

Compliance with the limits is monitored by the Finance and Risk Control Division. Any losses are immediately added to the loss limits, hence resul-

ting in a reduction in VaR limits in accordance with the principle of self-absorption. Correlation effects between the portfolios are included in calculating VaR and in the delegation of sub-limits.

The Financial Markets units also include the Treasury Division, which plans interest rate, liquidity and current risks from lending and deposit business in the banking book centrally. The planning is done on a macro-control basis. Securities, interest derivatives and money and foreign exchange products are used as hedges. Details on the accounting treatment of hedging instruments and the type of hedges can be found in the notes.

Assessment

The VaR ratios are calculated daily using the historical simulation method. In the process a unilateral confidence level of 95 per cent and a holding period of one trading day are used. At the end of each quarter NORD/LB also prepares a VaR calculation when calculating the risk-bearing capacity.

The VaR calculation is based on historical changes to risk factors over the previous twelve months. The models take account of correlation effects between risk factors and sub-portfolios. The calculation of credit-spread risks in the banking book was integrated in the year under review into the VaR model.

VaR models are particularly suitable for measuring market-price risks under normal conditions. The historical simulation method used is based on data relating to the past and is in this respect dependent on the reliability of the time series used. The VaR is calculated on the basis of the balances entered at the end of the day and does not therefore show any possible changes in items during the course of the day.

The prediction quality of the VaR model is verified with comprehensive backtesting analyses. This involves a comparison of the daily change in value

of the respective portfolio with the VaR of the previous day. A backtesting exception exists if a negative change in value observed exceeds the VaR.

The validation of the VaR model shows an increase in the number of back-testing exemptions. This is mainly attributable to higher interest rate volatility in the middle of the year. The VaR model shows a delayed reaction to an increase in volatility, so that during the transition period there were a higher number of outliers. The remaining exceptions result primarily from fundamental risks, i.e. differences in the scope of movements in the various swap curves within the same currency leading to higher daily fluctuations in the present value in the Treasury Division. Until the planned inclusion of these risks in the VaR model, a reserve item will be considered in the RBC model.

In addition to the VaR method, the effects of extreme market changes on the risk position of NORD/LB are examined in daily stress test analyses. Various stress scenarios were defined for each of the types of market-price risk, namely interest rate, currency, share price, fund-price, volatility risk and credit-spread risk. These approximately reflect the average of the highest changes seen in the respective risk factors and are combined with scenarios spanning the types of market-price risk. The risk factors observed were selected in such a manner that material risks relating to the entire portfolio of NORD/LB and to the individual sub-portfolios of the trading divisions are covered.

In addition, other stress test analyses are conducted at least once a quarter, including strategy-related stress tests for selected trading items and specific stress scenarios for spread and basis risks in the banking book. Further general stress tests for all risk types are conducted on a quarterly basis within the context of reporting on risk-bearing capacity. The stress test parameters are reviewed on at least an annual basis and adjusted

to changes in the market situation as and when required.

NORD/LB also uses the VaR model to calculate the capital adequacy requirements for general interest-rate risks and for general and special share-price risks in accordance with the Capital Requirements Regulation (CRR) at all relevant locations. For the remaining types of risk from a regulatory point of view, in particular interest-rate risk, the standard method is applied.

Reporting

In compliance with the Minimum Requirements for Risk Management, the Risk Control Division, which is independent of the divisions responsible for the positions, reports daily on market-price risks to the respective Director.

In addition to this, the market-price risks under a gone-concern scenario, which also include the credit-spread risks in the banking book, are reported on at least a weekly basis. The Managing Board is informed in detail once a quarter about NORD/LB's and the NORD/LB Group's market-price risks and earnings position of the trading divisions.

Liquidity Risk

Liquidity risks are risks which may result from disruptions in the liquidity of individual market segments, unexpected events in lending, investment or new issue business or deterioration in the Bank's own refinancing conditions. NORD/LB understands placement risk to be a component of liquidity risk. It describes the risk of own issues not being placed in the market or only placed at poorer conditions. Liquidity risks are broken down into traditional liquidity risk, funding risk and market-liquidity risk:

- Traditional liquidity risk is the risk that payment obligations cannot be met or cannot be met on time. Potential causes can be a general disruption in the liquidity of money markets

which affects individual institutes or the entire financial market. Market disruptions may in particular result in significant asset classes not being available for use as collateral. Alternatively unexpected events in lending, investment or new issue business may also result in liquidity shortages. The focus of the NORD/LB consideration is on the respective coming twelve months.

- Funding risk constitutes the potential drop in earnings resulting from a change in the bank's own funding conditions in the money market or capital market. The most significant cause in this case is a change in the assessment of the bank's credit rating by other market participants. The focus of consideration here is on the entire range of terms to maturity. By considering the individual currencies, spread risks from cross-currency swaps will also be considered.
- Market-liquidity risk defines potential losses to be borne if transactions need to be concluded at conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market-liquidity risks may primarily result from security items in the trading and banking books.

Management

Securing perpetual liquidity for NORD/LB is a strategic necessity. While traditional liquidity risk is principally hedged by maintaining a sufficient supply of liquid assets (in particular central bank eligible securities), funding-risks are allowed to be taken with a structural transformation of liquidity terms. Risks are constrained with suitable limits in both cases.

The limit for traditional liquidity risk serves to secure the ability to make payment even in a conservative stress scenario, while the limit for the refinancing risk is derived from the risk strategy and the risk-bearing capacity of the NORD/LB Group and allows term transformation to contribute to earnings.

In order to limit market-liquidity risk, NORD/LB primarily makes securities transactions in markets which have proven themselves to be sufficiently liquid even when under pressure during and after the financial crisis.

In the Global Group Liquidity Policy the business policies for liquidity-risk management in the NORD/LB Group are specified. NORD/LB also has liquidity control policies which define the basic strategic guidelines for ensuring a sufficient supply of liquidity. Liquidity management measures in cases of emergency and in crisis situations are specified in contingency plans.

Risk concentrations on the liabilities side are prevented by a diversified investor base and product range. The focus is on institutional and municipal investors, which is in line with the risk-based orientation of NORD/LB. The diversification of funding sources is also strengthened by covered bond issues and retail deposits.

Structure and organisation

In addition to the Treasury Division, the global trading divisions Markets and Bank Assets Allocation and the Finance and Risk Control Division are included in the process of liquidity-risk management at NORD/LB.

Treasury is responsible controlling items bearing liquidity risks and producing profits and losses resulting from changes in the liquidity situation (in general or specific to NORD/LB).

The Treasury Division also presents the liquidity position to the Asset Liability Committee and makes recommendations for action concerning the future approach towards strategic planning if necessary.

The Finance and Risk Control Division is responsible for the implementation and development of liquidity-risk models. It also ascertains and monitors traditional liquidity risk and monitors fun-

ding risk. The Finance and Risk Control Division also monitors the Liquidity Coverage Ratio (LCR).

A Global Liquidity Management crisis team is available in the event of a liquidity crisis and assumes responsibility for liquidity management in close cooperation with the Managing Board.

Control and monitoring

The funding risk of NORD/LB is limited by the present value limits and the volume structure limits for various maturity bands that are derived from the risk-bearing capacity. The liquidity progress is also considered by currency.

Traditional liquidity risk is primarily limited by analysing a dynamic stress scenario. The scenario describes the most likely crisis situation in each case, and hence also describes as at the reporting date a significant risk of a rating downgrade for NORD/LB taking into account among other things credit portfolios affected by the crisis in the shipping sector. Analysis is based on liquidity cash flows and covers the coming twelve months on a daily basis. For products without fixed liquidity flows, optional components (e.g. from irrevocable credit commitments), planned new business and refinancing opportunities, assumptions are made in accordance with the market situation which are subject to regular validation.

With the help of the limit system it is ensured that in the event of a stress case, surplus liquidity is available for at least three months. This means that securing the ability to make payment at any time in this maturity band is given preference over possible opportunities to generate profits. The aim is to ensure a liquidity surplus for at least six months in the dynamic stress scenario taking into account profitability aspects.

The dynamic stress scenario is supplemented by other statistical stress tests. These tests cover a scenario specific to NORD/LB and also the alternative scenario of a comprehensive liquidity crisis as

well as a short-term scenario for a market-wide liquidity problem.

Market-liquidity risks are implicitly accounted for by means of classifying securities in the liquidity maturity balance sheet in accordance with their market liquidity. Securities are allocated on the basis of a detailed security category concept to one of eleven main categories with one to eight sub-categories (e.g. by central bank eligibility and rating). The liquidity maturity balance sheet is presented by liquidity category, with the maturities ranging from due on demand to final maturity.

When classifying the securities in the liquidity categories, in addition to the tradability, in particular the usability of the collateral of key importance, i.e. the suitability of the securities as collateral in repo transactions, with central banks or as cover for Pfandbriefe.

Assessment

NORD/LB calculates the utilisation of volume structure limits for the various maturity bands on the basis of a liquidity maturity balance sheet for the entire item, which essentially reflects the standard case. Liquidity risk is quantified in a risk-bearing capacity concept resulting from a present value consideration of the funding risk.

Calculation of dynamic and static stress scenarios for modelling traditional liquidity risk is based on current liquidity progress reviews. These are stressed until they reflect a crisis. For example, a reduced amount of accounting liquidity and an increased utilisation of credit commitments is presumed. The stress scenarios can be used to show the effect of unexpected events on the liquidity situation, enabling it to plan for the future and to be well-prepared for cases of emergency.

The analysis of stress scenarios takes into consideration the overriding significance of the market liquidity of all of the securities in the portfolio. In

addition, the credit-spread risks for all securities are considered when calculating market-price risks. Since the spreads observed on the market reflect both the credit rating of an issuer and the market liquidity of the securities, the risk report also indirectly takes into account the market liquidity of the securities. No separate risk dimension is applied for market-liquidity risks.

Reporting

The Managing Board is also informed in detail in the quarterly reports "Finance and Risk Compass" and "Report on the risk situation" of the liquidity-risk situation of the NORD/LB Group. It also has the opportunity to obtain current information on the liquidity situation on a daily basis from the Liquidity Risk Cockpit.

The Risk Control Division provides the responsible divisional heads every day with the data on the dynamic stress test scenarios for NORD/LB's traditional liquidity risk.

The monthly refinancing risk reports are prepared in euro and in the most important foreign currencies. The maturity balance sheets upon which the funding risk is based are also presented together with the stress tests to the Asset Liability Committee which meets on a monthly basis.

In addition to this the NORD/LB's biggest customers in deposit business are monitored regularly. The relevant report is made available via the Liquidity Risk Cockpit.

Operational Risk

Operational risks are possible and from the viewpoint of NORD/LB unintended events which occur as a result of the inadequacy or failure of internal procedures, employees, technology or as a result of external events and result in a loss or have a very negative consequence for NORD/LB. In accordance with this definition, legal risks, risks due to a change in law, compliance risks, outsourcing risks, misconduct risks, verity risks, fraud risks

and vulnerabilities in contingency and crisis management are included in operational risk. Not included are strategic risks and business risks.

NORD/LB pursues the goal of efficient and sustainable management of operational risks, i.e.

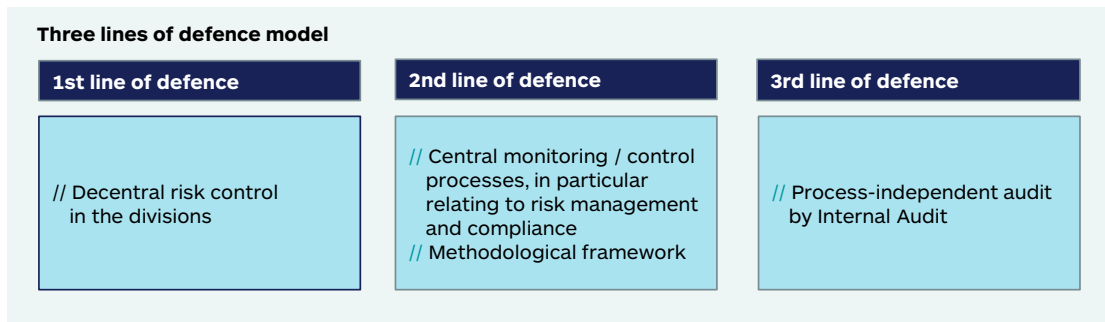
- Avoidance or transfer where this makes economic sense.
- Compliance with the relevant legal requirements at all times.
- Avoidance of future losses with a strong risk culture, which includes an open approach to operational risks. Raising and promotion of employee awareness with measures as required.
- Business continuation and contingency plans serve to limit damage in the case of extreme unexpected events. Very extreme, unforeseeable

events are countered by a crisis management organisation.

- Implementation of an appropriate and effective internal control system.

Management

Risk management for operational risks based on the “three lines of defence” model. Responsibility for the control of operational risk within the general environment specified is decentralised and lies with the divisions (first line of defence). Along the second line of defence, downstream risk management and compliance control processes are installed, which are supplemented by a central methodological framework for risk identification and assessment and higher-level control and reporting processes. The process-independent audit is conducted by Internal Audit (third line of defence).



NORD/LB has an integrated approach to controlling operational risks and is continually developing this. The aim is to optimally link the processes along the second line of defence with one another. Within this in mind, operational risks are highlighted in a consolidated Governance, OpRisk & Compliance Report with greater transparency. In addition, methods continued to be consolidated.

NORD/LB has a uniformly structured Internal Control System (ICS) which is based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). With the use of standardised methods and procedures,

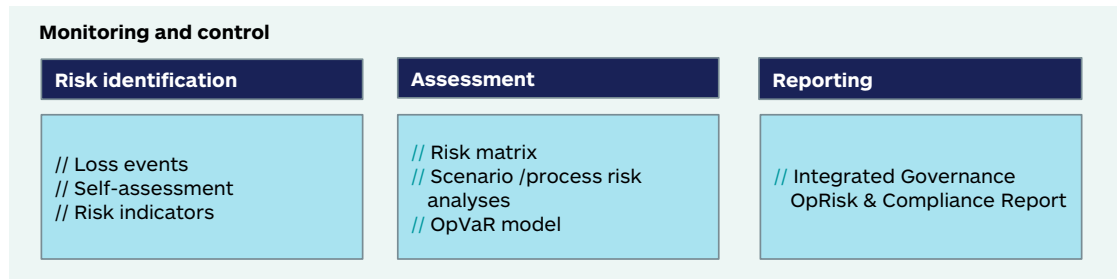
an appropriate and effective ICS will be ensured throughout the bank and a lasting improvement sought. The operational structure of NORD/LBs ICS is geared towards a recurrent control cycle. The overriding goal is the bank-wide assessment of the ICS based on the consideration of the appropriateness and effectiveness of the controls implemented.

With interlinked business continuity management which focuses on time-critical activities and processes, contingency measures are in place to ensure appropriate operation in the event of an emergency and a return to normal operations as

quickly as possible. The higher-level contingency and crisis organisation ensures communication

and decision-making capability in the event of escalating emergencies and crises.

Monitoring and control



NORD/LB collects data on losses from operational risks above a minimum limit of € 1,000. This data provides the basis for analyses to optimise risk management. The loss events collected are exchanged in anonymous form in the Data Consortium of Operational Risks (DakOR) with other banks. The consortium data is added to the data which is used for the internal model. In addition information contained in the ÖffSchOR database is available in which press reports on major losses resulting from operational risk are collected, structured and processed.

An annual integrated self-assessment with the use of expert knowledge should help in the early identification of future developments. The assessment includes all of the questions relating to the second line of defence in one questionnaire. In order to identify potential risks early on and to take countermeasures, risk indicators are used in NORD/LB. The selection of indicators takes place on a risk-oriented basis and is regularly reviewed for its appropriateness.

In scenario analyses and process-risk analyses, detailed insight into the risk situation is gained at issue or process level and relevant measures are derived as necessary. The analysis planning is done on a risk-oriented basis, based on all of the available data (e.g. loss events, self-assessments, audit reports, results of the ICS control cycle). The

results are included in the internal OpVaR model and as a result improve the measurement accuracy.

All of the risks are assessed based on a bank-wide risk matrix and are included in the bank's risk reporting. The results are reported to the Managing Board on quarterly basis (in the Finance and Risk Compass), while information on material risks is reported on an ad-hoc basis. The responsible divisions are reported to as and when required, and at least once a year.

For the purpose of integrated OpRisk management, the Risk Round Table was established; it acts a central committee which offers a platform where issues concerning significant operational risks and methods can be discussed at management level. The committee focuses on operational risks including process, IT, personnel, legal, outsourcing and compliance risks as well as security and contingency management. The Risk Round Table should create transparency across the divisional boundaries of the second line of defence and enable bank-wide control initiatives.

A particular feature of the bank's protection against operational risks lies in raising a high level of awareness and establishing an open risk culture. Employee awareness of risks is raised with classroom and online-based training, a regu-

lar Governance, OpRisk & Compliance newsletter and ad-hoc information on risks. “Lessons learned” from events that have actually occurred play a particularly important role.

For IT and security risks, specific control cycles have been implemented. They should ensure that internal and external threats are recognised quickly and can be actively controlled. In the IT Division, instructions on procedures, alternative capacities and backups ensure that the IT infrastructure is adequately stable. Security concepts and contingency plans supplement pre-emptive measures in order to prevent loss or damage resulting from the failure or the manipulation of systems and information.

Personnel risk is countered by an appropriate level of staff in terms of quality and quantity. The aim is to ensure that all employees have the required skills for their tasks. Staff shortages are included in the contingency planning.

In order to prevent criminal acts, money laundering, the financing of terrorism and other risks to compliance, NORD/LB has established comprehensive protection and prevention measures. Continual control and monitoring activities help to identify relevant issues. If there are any indications of major fraud, the further course of action is decided in an ad-hoc committee at management level. There is a whistleblowing system for employees and customers so that information can be passed on securely.

Legal risks are safeguarded against by using contract templates and close consultation with the Legal Department. In order to ensure that there are no unintended loopholes in contracts, the Compliance Department identifies new banking regulatory requirements, informs the divisions concerned of the resulting requirements for action and provides evidence across all divisions. The aim is to ensure compliance with the legal regula-

tions and requirements by implementing effective procedures in the divisions.

The quality of external suppliers and service providers is ensured by risk-adequate service-provider control. For significant services outsourced, a quarterly risk assessment takes place using defined risk indicators. An individual contingency plan is also drawn up for each significant service outsourced.

NORD/LB's insurance cover is appropriate. NORD/LB's insurance cover is analysed regularly with regard to its scope and effectiveness. Natural disasters and terrorist attacks are defined as force majeure and are countered by appropriate contingency concepts.

Accounting-related ICS

NORD/LB's ICS also covers in respect of the accounting process all of the principles, processes and measures implemented by management which are aimed at the organisational implementation of decisions by management relating to

- the correctness and reliability of external accounting,
- compliance with legal regulations which are relevant to NORD/LB and to
- ensuring the effectiveness and efficiency

of the accounting.

The purpose of the ICS is to prevent the risks associated with accounting processes, e.g. erroneous presentation, recording or assessment of transactions or incorrect reporting of information in the financial reporting.

The accounting-related ICS is integrated into NORD/LB's overall ICS concept and consists of a hierarchy of controls and key controls which are to be carried out periodically or as and when required and the results of which are to be documented. The key controls are reviewed annually

with regard to their appropriateness and effectiveness. The testing is part of a control cycle that ensures the quality of the Internal Control System.

NORD/LB's accounting process is structured decentrally. The preparation of the annual accounts and the management report for NORD/LB in compliance with legal regulations is the responsibility of NORD/LB's Finance/Taxes Division. Many accountable facts are already recorded in the market and back office divisions in NORD/LBs upstream systems and are already subjected there to controls with regard to verification, completeness and assessment. There are also controls with regard to the correct recording of data controlling the reporting of facts and the preparation of the disclosures in the notes.

For new processes to be implemented in order to meet new reporting requirements and new accounting standards, the in this respect necessary controls and key controls are integrated into and amended in the existing control system.

The accounting processes of NORD/LB and its foreign branches are basically structured independently and they have their own accounting-related control processes.

The data from the accounting systems of NORD/LB and the foreign branches is fed via a SAP module into a single set of financial statements for NORD/LB.

In selected accounting-relevant areas, in particular relating to the calculation of liabilities to employees, NORD/LB uses external service providers.

The accounting process is partly monitored in the Finance/Taxes Division by a central, intranet-based management application. This application allows all activities and milestones relevant to the financial statements to be tracked in relation to their respective completion dates. In addition, the divisions involved communicate daily regarding

the processing status, so that in the event of delays immediate action can be taken by management.

NORD/LB's Internal Audit conducts a process-independent audit to ensure compliance with the ICS. The accounting-related ICS is also the subject of a quarterly audit by the auditor. The conclusions are reported to the Audit Committee.

Assessment

NORD/LB uses the standard approach of CRD IV (Pillar I) to calculate the capital adequacy requirement. The requirement as at 31 December 2015 totalled € 231 million.

For the risk-bearing capacity (Pillar II) and internal control, a Value-at-Risk model, which is based on a loss distribution approach, is used. The distribution parameters are calculated based on internal data, scenario analyses and external data from the DakOR consortium. Correlation effects are modelled with the help of a Gaussian copula. An allocation process which combines size indicators with risk-sensitive elements is used to distribute the model results to the individual institutes. Risk indicators in the warning area impact on the models. The models parameters are regularly subjected to a comprehensive validation and stress tests. Mitigation effects due to insurance or other instruments used to transfer risk are currently not considered in the quantification model. NORD/LB considers the use of customary insurance products to be part of active risk control. The model was developed based closely on the requirements for an AMA in accordance with CRD IV.

Reputation Risk

Definition and strategy

Reputation risk defines the risk of the bank suffering serious or permanent losses due to a loss of trust among customers/business partners, the public, employees or the owners.

NORD/LB wants to maintain and continually extend the trust of stakeholders at all times and be perceived to be a reliable partner. The aim is also to establish an efficient management of reputation risks that makes economic sense. The following specific objectives are pursued:

- Prevent the occurrence of reputation risks with guidelines, knowledge of expectations of stakeholders and safe management of risky transactions
- Early identification of emerging and existing reputation risks
- Safe management of reputation risks that have emerged

Risk management

As a matter of priority, each and every employee is responsible for preventing reputation risks. Key roles are played by Corporate Communications, Sustainability Management, the Compliance Department and the Finance and Risk Control Division. The RepRisk Framework outlines how reputation risks should be handled.

With the help of general and bank-wide rules for preventing reputation risks, the scope for decision-making is defined. Here the following central rules exist:

- Financing principles
- Guidelines for controversial business activities (ESG guidelines)

- Guidelines for external communication
- Guidelines for the recruitment of personnel
- Policies for money laundering and fraud
- Monitoring of sanctions
- Ethic principles and management of conflicts of interest

Mechanisms such as defined test steps and checklists should help in control processes to identify reputation and safely manage issues. If an individual case with a high reputation risk is not covered by the general rules, an Ad-hoc Committee is convened.

Employee awareness of issues is raised by courses and web-based training (e.g. the German Securities Trading Act (WpHG), the German Money Laundering Act (GwG), fraud, security / data protection). Newsletter on issues relating to the second line of defence in which current cases are discussed also help to raise awareness.

In addition to the continual, bank-wide exchange of reputation-related information, NORD/LB has an early-warning system that is made up of several indicators and is continually developed. These indicators will be introduced where issues relevant for the reputation of NORD/LB can potentially be identified early.

The findings concerning reputation risks are included in the regular risk report and sustainability reports.

Economic Report

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General Economic and Industry-specific Environment

Global Economic Environment

Against expectations, the global economy did not pick up in 2015. As in the two previous years, real global economic growth was very weak and only slightly above three per cent. In the USA, though, the economic recovery consolidated, and despite a weaker fourth quarter, for the year as a whole gross domestic product (GDP) grew by around 2.4 per cent compared to the previous year. The situation in Japan remains difficult, in 2015 GDP expanded by less than one per cent compared to the previous year. By contrast, the economic recovery in the eurozone continued and even consolidated. As in 2014, output growth in developed economies compensated the less dynamic growth in some important emerging countries. Against the background of the modification of its growth model, China recorded its lowest GDP growth for 25 years, just 6.9 per cent. However, the recent market turbulence justifies the concerns about future economic development in China. The economy in the BRIC countries weakened, partly because Russia's economic output shrank again compared to the previous year and Brazil has also slipped into recession. Accordingly, real global trade growth was weak and is likely to have been less than three per cent.

The economic recovery in the eurozone picked up in 2015, as expected. In the first three quarters growth rates of on average 0.4 per cent compared to the previous quarter were achieved. This remarkably solid growth (against the background of only moderate global growth) is no longer mainly attributable to only Germany. Spain's economy has been growing very strongly for some time and achieved real economic growth of more than three per cent in the year as a whole. The situation has also improved gradually in France and Italy, although the economic recovery continues to be hindered by structural problems. In the last three months of 2015 economic output expanded mod-

erately once again in the eurozone by 0.3 per cent compared to the previous quarter. In 2015 as a whole real GDP therefore rose by 1.5 per cent compared to the previous year. While foreign trade provided little impetus, domestic demand boosted growth. The high growth rate of real private consumption was also underpinned by the extremely low inflation rate and a noticeable reduction in unemployment. The unemployment rate fell to November 2015 to 10.5 per cent, at the end of 2014 it was 11.4 per cent. After four years of significant consolidation efforts, the deficit ratio was reduced in 2015 to around 2.0 per cent of GDP. The risk of a Greek exit from the eurozone ("Grexit") was averted for the time being in mid-2015.

The German economy continued to grow in the past year as expected despite weak global growth. Gross domestic product increased in 2015 as a whole by 1.7 per cent compared to the previous year. Economic growth was therefore slightly above the potential growth. Private consumption was again the mainstay of the economy in 2015. Private consumption expanded by 1.9 per cent compared to the previous year and contributed one percentage point to GDP growth. This is the strongest growth for 15 years and primarily attributable to the good employment situation. With the seasonally-adjusted number of people in employment reaching 43.2 million, a new employment record was achieved. Real wages also increased, because nominal wages strongly increased, coincided with a virtual standstill in consumer prices.

Development in the capital markets was largely influenced throughout 2015 by the actions of the central banks. Due to the marked improvement in the job market of late, the Federal Reserve raised the fed funds target rate in December 2015 as expected. The European Central Bank (ECB) on the other hand has continued and even accelerated its expansive monetary policy of late. In addition to

cutting the deposit facility interest rate to -0.3 per cent, further changes in the ECB's Expanded Asset Purchase Programme (EAPP) were decided, including an extension until at least March 2017. In the eurozone a further relaxation in monetary policy is even expected. Due to the further fall in the price of crude oil, the ECB will have to drastically revise downwards its inflation forecast for 2016 of 1.0 per cent in March. Furthermore there have been turmoils in the market since the turn of the year due to mixed economic signals from China. Against this background Mario Draghi stated that monetary policy would be reviewed in March and therefore paved the way for a further relaxation of monetary policy. An extension of the purchase programme was also controversially discussed in the ECB Governing Council in December and remains a conceivable option. The low level of interest rates will therefore remain as in the previous year. The US dollar benefited from the raising of interest rates by the Federal Reserve, additionally the euro weakened, triggered by the ECB. In this environment the EUR/USD exchange rate fluctuated from over 1.20 to most recently just 1.09 USD per EUR in 2015. The EUR/USD cross-currency basis swaps have widened across the short and medium-term segment to just over -30 basis points.

Banks

The European banking market has been characterised by constant change for years. A number of external factors have been responsible for this. In particular changes triggered by the financial market crisis, namely weaker economic growth, persistently low interest rates and increasing regulation should be highlighted. In addition to this, the continuing digitalisation of the economy is having a growing impact on the banking sector. All of these factors together have resulted in a decline in the number of banks in the EU over a number of years.

The market volume is, measured by the growth in loan volume, despite the increase in demand for loans and moderate softening of lending standards, restrained. Besides this, in most European banking markets there is a high density of competition, competition is therefore intense. European banks only have limited potential for growth, particularly as the historically low interest rates are putting pressure on interest margins.

European banks are currently pursuing different strategies to counter the changes in the economic environment, and in particular the low interest rates. The majority of banks have started the process of realigning their business models and business segments. Few market participants are pursuing expansive strategies, which generally involve opening up new markets or acquisitions. Rising costs and growing pressure due to regulatory requirements are combated by virtually all banks with measures to improve cost structures and with these to improve efficiency.

The aforementioned developments are having a direct impact on the long-term earnings power of banks and therefore ultimately on their ability to absorb risks and build capital reserves. On the other hand there has also been a drop in funding costs, from which in particular banks in the under-pressure banking markets in the peripheral countries of the eurozone are benefiting. A stronger economic environment in some of these markets has been accompanied by a reduction in loan losses.

The ECB, as the highest supervisory body for the European financial market, is stepping up its regulatory activity. As a result of this and numerous changes in law, due among other things to the introduction of the Single Resolution Mechanism, the requirements to hold loss absorption capital (equity and debit instruments) will increase.

Aircraft

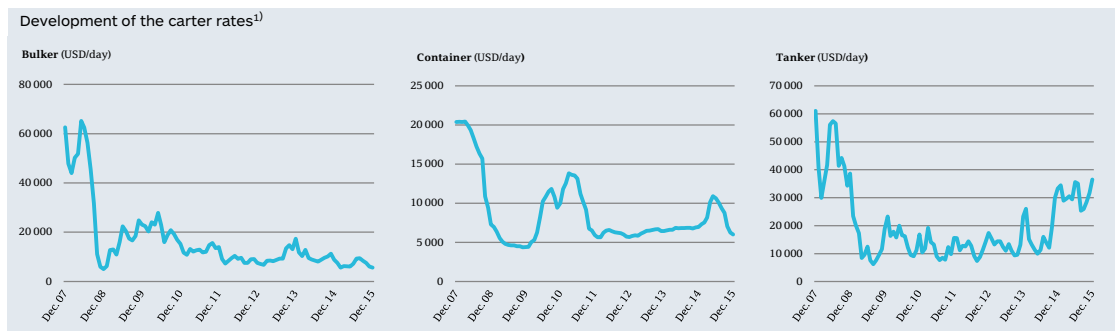
In 2015 air passenger traffic (RPK, revenue passenger kilometres) rose according to the IATA by 6.5 per cent compared to the previous year (YoY overall market). The growth rates were 6.5 per cent for international traffic and 6.3 per cent for domestic traffic. As in previous years, great regional differences were behind these developments. There were above-average growth rates in global passenger transport in the Asia/Pacific (8.6 per cent) and Middle East (10.0 per cent) regions.

In the air freight market, the growth in the number of freight tonne kilometres (FTK) sold in 2015 was

down compared to the previous year. In 2014 FTK growth was 4.7 per cent on average, 2015 it was only 2.2 per cent. Only Middle East airlines were able to record a significant increase in air freight, 11.3 per cent.

According to IATA estimates, the net profit of airlines worldwide is expected to have reached a record of \$33.0 billion in 2015 (2014: \$17.3 billion). Factors such as structural progress and efficiency improvements in the airline industry and the fall in oil prices had a positive impact on profits.

Shipping



ClarkSea Index: A weighted average index of earnings for the main vessel types

2015 was another volatile year for the shipping sector. In the first half of the year not only the tanker sector experienced a renaissance, demand for container ships also rose. In contrast, the dry bulker sector stabilised at a low level following a very volatile 2014. While the global surplus of crude oil had a positive impact on the tanker segments, the offshore industry came increasingly under pressure. In particular the continuing fall in oil prices resulted in increasingly negative sentiment in this niche. In the second half of the year the price of a barrel of Brent fell by one third and was below \$40 in December. The container sector was characterised by high fleet growth of 8.5 per cent in 2015. In total, over 200 new container ships with 1.72 million TEU came into the market. While demand, driven by special effects, was able to absorb the new supply in the first few months of

the year, the market corrected itself notably from the summer. Significant increases in the number of laid-up ships and falls in charter rates of up to 60 per cent were the consequence. The economic slowdown in China was decisive for the dry bulker sector in 2015. The fall in prices in the commodities markets did not have an impact on global demand. A recovery occurred only briefly in the sector in the third quarter, starting with the increase in China's iron ore imports. However, as the country's steel production decreased and further stock replenishments did not take place, the market did not stabilise. The weakness was reflected in the Baltic Dry Index, which fell by approximately 40 per cent in 2015.

Real Estate

In 2015 as a whole, global investment in real estate remained high despite volatility in the Chinese stock market and the raise of interest rates in the USA. The sustained low level of interest rates and the consequent increase in capital flows contributed to a high level of demand for global real estate investments at the end of 2015. In 2015 the global transaction volume fell slightly from \$ 711 billion to \$ 704 billion (minus 1 per cent compared to 2014). The European commercial real estate markets achieved a transaction volume of approx. \$ 267 billion in 2015. This equated to a

slight reduction of 4 per cent compared to the previous year. UK and Germany again recorded high demand for commercial real estate, because Germany with GDP growth and UK with strong continuity in the job market were considered to be safe havens for real estate investments in 2015. The low level of interest rates remained a driver of institutional investors' high demand for commercial real estate in the German market at the end of 2015. The German investment market recorded a record transaction volume of approx. € 55 billion in 2015 and thus a significant increase of 40 per cent compared to the previous year.

Significant Events in the Financial Year

Capital Measures

NORD/LB continued to optimise its capital structure in the year under review. In order to boost its regulatory capital ratio, in 2015 NORD/LB retained its earnings from 2014. In addition, a silent participation held by a special purpose entity in the amount of € 500 million, which in accordance with the requirements of EU Regulation No. 575/2013 on prudential requirements for banks and investment firms (CRR) in future would not have been permanently chargeable as capital, was cancelled with effect of the end of 2015. The cancelled silent participation will no longer need to be serviced in future. The future savings can be used if required to further strengthen equity.

In order to prepare for the regulatory requirements applicable throughout the EU from 2016 concerning the participation of creditors of a bank in its losses in the event of restructuring or insolvency (bail-in), subordinated liabilities with a nominal total countervalue of € 500 million were taken on in several tranches.

In addition, NORD/LB increased a guarantee concluded in 2014 with a private guarantor for the mezzanine tranche of a loan portfolio of NORD/LB brought into a securitisation structure ("Northvest"). As a result, at the time of the increase the total risk-weighted exposure was reduced by more than € 2 billion.

Regulatory Requirements Concerning Minimum Capital

In addition to the minimum capital ratios of the CRR that need to be met, the European Central Bank (ECB) has, as the regulatory authority responsible for NORD/LB at Group level since March 2015, required that an individual minimum ratio for Common Equity Tier 1 capital was met, which until the end of 2015 was based on the logic of the CRR (transitional provisions not considered) and from the start of 2016 was adjusted in terms of

method and amount to a minimum ratio for Common Equity Tier 1 capital in accordance with the CRR (transitional provisions considered). This individual minimum capital ratio is above the corresponding statutory minimum ratio of the CRR and includes from the start of 2016 a capital-maintenance buffer that is to be maintained from this time.

Supervisory Review and Evaluation Process (SREP)

The European Banking Authority (EBA) published its final guidelines for the Supervisory Review and Evaluation Process (SREP) in accordance with 97 of the CRD IV in December 2014. The evaluations focus on the business model, internal governance and its control, the significant risks and the adequacy of the bank's capital and liquidity resources. In 2015 NORD/LB prepared for this process in a Group-wide project.

EU Process: Restructuring Plan and Commitments made by NORD/LB

Before the capital measures could be implemented in 2011 and 2012, they needed to be reviewed and approved by the EU Commission. The capital measures were approved based on a restructuring plan agreed in 2012 between the bank, its owners, the German Government and the EU Commission. An independent trustee monitors whether the commitments made are being kept.

Based on the commitments that apply at most to the end of 2016, NORD/LB can continue to focus on its proven business model. In the current financial year some of the commitments have already been successfully implemented.

NORD/LB, the German Government and the EU Commission agreed on significant points such as the future focus of the Group's business segments, a reduction in the Group's total assets and the optimisation of cost levels.

Efficiency Improvement Programme

NORD/LB decided at the start of 2011, with the agreement of its owners, to stabilise the administrative expenses of the NORD/LB Group at € 1.1 billion.

NORD/LB has made a commitment to the EU Commission to reduce the NORD/LB Group's operating costs (before special effects) to € 1.07 billion by the end of 2016. NORD/LB must make a significant contribution to this.

In order to achieve this goal, NORD/LB launched an efficiency improvement programme in March 2011 to reduce both the cost of materials and staff expenses.

In the last few years further concrete measures were developed to improve NORD/LB's structures and processes were developed and instructions were given for their implementation.

Business model

As at May 31 2015, with retrospective effect of 1 January 2015, two fully-consolidated subsidiaries were merged.

NORD/LB COVERED FINANCE BANK S.A. Luxembourg-Findel and Norddeutsche Landesbank Luxembourg S.A. were NORD/LB Luxembourg S.A. renamed Covered Bond Bank, Luxembourg-Findel.

IT Roadmap

NORD/LB's IT is based on established and customary processes. Much of it is provided together with the S Finance Group's Finanz Informatik.

NORD/LB invests continually in updating and developing its IT in order to support its business processes in an optimal and cost-efficient manner and to meet national, internal and European regulatory requirements concerning IT. It focuses on consolidating much of the IT infrastructure in the area of Finanz Informatik, updating the credit IT

systems and adjusting the systems of Bank Controlling.

Deposit Guarantee System

On 2 July 2014 the EU directive on deposit guarantee schemes entered into force. This was to be adopted in national law by the member states by 3 July 2015. Against this background, the guarantee system of the S Finance Group, to which NORD/LB belongs, had to be revised such that it is recognised as a deposit guarantee system in accordance with the Deposit Guarantee Act (Einlagensicherungsgesetz, EinSiG).

For this purpose, the Deutscher Sparkassen- und Giroverband (DSGV, German Association of Savings Banks and Girobanks), assisted by the member banks of the S Finance Group, implemented a nationwide project in which NORD/LB made an active contribution. All of the requirements were adopted in time in the rules of the guarantee system. The revised bank guarantee system was recognised as a deposit guarantee system in accordance with the EinSiG at the start of July 2015. NORD/LB has therefore implemented the new requirements of the guarantee system in time.

In addition to the aforementioned statutory requirements, the quantitative and qualitative risk monitoring, which acts as an early-warning system to protect the bank, has also been adjusted and in places sharpened to meet the new regulatory requirements.

Transparency Exercise

The EBA did not conduct an EU-wide stress test in 2015, but it did conduct a transparency exercise. The objective of the questioning was the publication of detailed information concerning the balance sheets and portfolios of all EU banks. The results were published on 24 November 2015.

Provident Fund

In 2015 NORD/LB decided to transfer the responsibility for meeting most of its existing pension

obligations. The obligations are now met in part indirectly by the legally independent Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V. (Unterstützungskasse). Unterstützungskasse is a partially reinsured / lump-sum-endowed provident fund.

With the transfer, NORD/LB does not rid itself of the original obligation from the pension agree-

ments, but remains the funding company within the scope of subsidiary liability. The non-transferred part of the obligations and the shortfall at the time of the transfer of responsibility (difference between the required settlement value of the pension obligation and the assets transferred to Unterstützungskasse) remains in NORD/LB's balance sheet.

Assets, Financial and Earnings Position

Earnings Position

As in previous years, NORD/LB's earnings in the financial year 2015 were greatly affected by the continuing crisis in the shipping sector. The table below shows the profit breakdown:

	1 Jan. - 31 Dec. 2015 (in € million)	1 Jan. - 31 Dec. 2014 (in € million)	Change (in %)
Net interest income	1 520	1 421	7
Net commission income	185	138	33
Earnings from financial transactions in the trading portfolio	66	16	> 100
Administrative expenses	815	852	- 4
Other operating profit / loss	- 98	- 64	52
Operating result before risk provisioning / valuation	858	659	30
Valuation result of receivables, securities and investments	570	374	52
Assumption of investment losses	46	28	67
Allocation to funds for general banking risks	-	-	-
Operating result after risk provisioning / valuation	242	258	- 6
Extraordinary earnings	- 25	- 54	- 53
Partial profit transfer (silent participations)	73	70	4
Tax income	107	- 4	> 100
Profit for the year before appropriation of earnings	37	138	- 73

In the financial year 2015 the **operating result before risk provisioning / valuation** increased by € 199 million. In addition to the fall in administrative expenses, the improved results in net interest income, commission income and earnings from financial transactions in the trading portfolio were mainly responsible for this development. An increase in the negative operating profit/loss had the opposite effect.

The risk situation in the financial year 2015 was, due in particular to the continuing effects of the crisis in the shipping sector, at a higher level than in the previous year. Overall, net provision for

loans and advances and the **valuation result for securities and investments** including losses transferred rose to € 616 million (€ 401 million). Accordingly, the operating result after risk provisioning / valuation reduced to € 242 million (€ 258 million).

After taking account of the extraordinary earnings, interest on silent participations and tax expenditure (in the previous year tax revenue), a **profit for the year before appropriation of earnings** of € 37 million (€ 138 million) remains.

Net interest income is broken down as follows:

	1 Jan. - 31 Dec. 2015 (in € million)	1 Jan. - 31 Dec. 2014 (in € million)	Veränderung (in %)
Interest income from lending and money market transactions	2 366	2 475	- 4
Interest income from fixed-interest securities and debt register claims	393	485	- 19
Interest income from trading portfolio	978	889	10
Negative interest income from lending and money market transactions	- 6	- 1	> 100
Income from investments	138	91	52
	3 869	3 939	- 2
Interest expenses from lending and money market transactions	605	993	- 39
Interest expenses from securitised liabilities	582	471	24
Interest expenses from subordinated capital	154	150	3
Interest expenses from trading portfolio	1 026	906	13
Positive interest income from lending and money market transactions	- 18	- 2	> 100
	2 349	2 518	- 7
Interest income	1 520	1 421	7

Net interest income increased by € 99 million compared to the previous year due to an increase in income and a simultaneous fall in expenses. The increase in income is primarily due to settlement payments from swap terminations in the amount of € 51 million in the context of the termination of a silent USD participation.

The contribution from interest-rate conditions on the assets side benefited from the expansion of lending business in conjunction with an increase in margins. At the same time the contribution from interest-rate conditions in deposit business was down due to the low level of interest rates. The controlling of interest-rate risks also contributed to an increase in net interest income.

Current income from shares and other variable-yield securities and investments increased by € 13 million. This was due in part to an increase in distributions from special funds.

Income from profit pools, profit transfer or partial profit transfer agreements increased by € 35 million and mainly comprise the profit trans-

fer from Deutsche Hypothekbank for 2015 in the amount of € 62 million (€ 29 million). In addition to this, the profit transfer from Nieba GmbH rose by € 3 million.

Net commission income is at € 185 million well above the previous year's result of € 138 million. In 2015 commission income rose significantly by € 53 million, while commission expenses rose in comparison rather moderately by around € 7 million. The most significant developments were in lending and securities business. In original lending business, income rose by around € 17 million. The increase in income for these charges service performed in connection with loans were mainly achieved in Corporate Customers, Structured Finance and Ship Finance. An increase in income for guarantee commission of € 7 million was recorded. In securities business the € 9 million increase in income was mainly due to a € 5 million increase in income from securities syndicate business. An increase in income of € 4 million was also achieved in loan brokering business. The significant increase in other commission income compared to the previous year,

however, is attributable to the transfer of custodial activities to Landesbank Baden-Württemberg (LBBW). NORD/LB earned net income of € 16 million from the contract concluded for this purpose. The increase in commission expenses is due in particular to the increase in expenses to the “Northvest” loan portfolio guaranteed by a private investor.

Earnings from financial transactions in the trading portfolio increased by € 50 million to € 66 million (€ 16 million). This result was influenced in particular by the margins from trading transactions used to control market-price risks and totalling € 68 million. The effects of counterparty-specific default risks in derivative business, interest-rate risk control and the EUR/USD basis spread also influenced the result.

The reduction in **administrative expenses** to € 815 million (€ 852 million) is mainly due to the transfer of the responsibility for meeting most of NORD/LB's company pension obligations to Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e.V. and the associated reduction in staff expenses, which also includes interest effects. The interest-rate effects for assessment-based pension provisions are for the first time no longer reported under administrative expenses, but under other operating profit/loss. The increase in other administrative expenses of € 64 million is due in particular to the € 54 million increase in expenses for cost allocations and contributions. These are the annual contribution to the restructuring fund for banks in the amount of € 35 million (€ 20 million, reported in the previous year under other operating profit/loss) and the contribution to the DSGVO deposit protection fund in the amount of € 17 million.

The negative **other comprehensive income** increased in 2015 by € 34 million to € 98 million (€ 64 million). In addition to the reporting changes for interest-rate effects for pension provisions, in particular the higher losses compared to the pre-

vious year from the redemption of liabilities in the amount of € 66 million (€ 54 million) were responsible for this. This was done for the investor's benefit. It is controlled in the management of the overall bank's position and at individual transaction level.

The **valuation and realisation result of loans and advances, securities and investments** was affected significantly in the past financial year as in previous years by the continuing crisis in the shipping sector. The negative valuation result of € 570 million (€ 374 million) is primarily attributable to the net loan loss provisions of € 702 million (€ 501 million). The transfer of shares in TotoLotto Niedersachsen from NORD/LB AöR to TotoLotto Niedersachsen Beteiligungs AöR & Co KG in the amount of € 63 million, the disposal of the investment Euro Kartensysteme GmbH in the amount of € 15 million and the Deutsche Hypothekbank allocation of € 35 million had a compensatory effect.

Losses transferred from investments total € 46 million (€ 28 million) and mainly comprise the losses transferred from NOB Beteiligungs GmbH & Co. KG and Braunschweig GmbH. NOB Beteiligungs GmbH & Co. KG comprises in particular LBS Hannover / Berlin, and was written down by € 37 million.

Extraordinary earnings include in addition to transition effects in the amount of € 19 million (€ 19 million) relating to the initial application of the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz, BilMoG) re-organisation expenses in the amount of € 6 million (€ 36 million) relating to the efficiency improvement programme. These concern employee-related expenses for measures mainly to reduce staff expenses.

The **tax expenses** totalling € 107 million mainly relate to the current year and were influenced significantly by the change in method for meeting NORD/LB's pension obligations with the involvement of Unterstützungskasse.

Assets and Financial Position

The table below shows the condensed balance sheet items as at 31 December 2015 alongside the figures for the previous year.

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Loans and advances to banks	20 862	24 266	- 14
Loans and advances to customers	58 955	58 105	1
Securities	22 552	27 111	- 17
Trading portfolio	10 867	11 516	- 6
Investments and investments in affiliated companies	2 189	2 106	4
Other assets	7 536	7 917	- 5
Total assets	122 960	131 022	- 6
Liabilities			
Liabilities to banks	33 114	40 359	- 18
Liabilities to customers	43 017	40 146	7
Securitised liabilities	22 377	24 628	- 9
Trading portfolio	4 865	5 927	- 18
Provisions	1 004	1 492	- 33
Participatory capital and subordinated liabilities	2 495	2 913	- 14
Bank's own funds	6 689	6 782	- 1
Other liabilities	9 400	8 775	7
Total liabilities	122 960	131 022	- 6
Balance sheet data			
Contingent liabilities	6 938	6 074	14
Other obligations	6 198	6 859	- 10
Business volume	136 096	143 955	- 5

Total assets have reduced significantly compared to the previous year. The strategic reduction in the portfolio which started in 2013 was continued in the past financial year. The moderate increase in interest rates and the associated valuation-related reduction in the trading portfolio also favour this development. The expansion of customer business had a compensatory effect here.

Loans and advances to banks have reduced repeatedly due to the strategic reduction in the portfolio by a total of € 3 billion. **Loans and advances to customers** have increased due to the expansion of customer business by around € 1 billion.

Under the item **securities**, the balance of bonds and debt securities reduced significantly by € 4 billion. Financial assets reduced by € 545 million due in particular to the transfer of funds to Unterstützungskasse.

The change in the trading portfolio is primarily due to the valuation of interest derivatives at fair value. Due to the alignment of interest derivatives, the slight increase in interest rates by the ECB has resulted in a decrease in the value of these financial instruments, and therefore an decrease in the related balance sheet items. The item trading portfolio is largely made up of financial instruments which are used to control market-price risk.

There were no major changes in the **investment portfolio and shares in affiliated companies** compared to the previous year. The increase in the balance of shares in affiliated companies is mainly due to changes in value.

Significant items under **other assets** include the cash reserve, trust assets, deferred items and other assets.

Most of the strategic reduction of the portfolio on the liabilities side is reported under **liabilities to banks**. These have reduced in the past financial year by € 7 billion. The portfolios that were still covered by the guarantor liability after its termination expired in the past financial year. **Liabilities to customers** on the other hand have increased in the past financial year due to the expansion of customer business, by € 3 billion to € 43 billion (€ 40 billion).

Also reflected in the reduction of **securitised liabilities** to € 22 billion (€ 25 billion) is the strategic reduction in the portfolio to reduce risk assets.

Provisions have reduced compared to the previous year, due in particular to the transfer of pension obligations to Unterstützungskasse, by € 489 million.

Trust liabilities, other liabilities, deferred items and the fund for general banking risk are reported

under **other liabilities**. The increase in this item is due in particular to the currency transactions within other liabilities.

The capital structure was also further optimised in 2015. In addition to the active management of risk-weighted assets, a silent participation was terminated with effect of the end of 2015. Subordinated liabilities were included. Further details on the capital measures taken in 2015 can be found in the notes.

The **reported equity** ratio as at the reporting date was 5.4 per cent (previous year: 5.2 per cent). The regulatory capital as at 31 December 2015 totalled € 8 283 million (previous year: € 7 865 million). € 6 409 million of which related to Common Equity Tier 1 capital (previous year: € 6 364 million). The total capital ratio was 19.0 per cent (previous year: 17.7 per cent) and the Tier 1 capital ratio 14.7 per cent (previous year 14.3 per cent).

The increase in **contingent liabilities** to € 7 billion (€ 6 billion) is due to higher liabilities relating to sureties and guarantees.

The fall in **other liabilities** is due solely to the reduction in the volume of irrevocable loan commitments of around € 1 billion. Further information on refinancing and the liquidity position can be found in the Risk Report.

Significant developments in the business segments

31 Dec. 2015 (in € million)	NORD/LB Private and Com- mercial Customers	NORD/LB Corporate Customers	NORD/LB Markets	NORD/LB Energy and Infra- structure Customers	NORD/LB Shipping Customers	NORD/LB Aircraft Customers	NORD/LB Real Estate Banking Customers	NORD/LB Group Control- ling/ Others	Income Statement NORD/LB
Operating result before risk provisio- ning / valua- tion	54	222	118	98	245	112	22	- 14	858
risk provisio- ning / valuation	- 6	- 31	-	- 15	- 528	3	42	- 81	- 616
Operating result after risk provi- sioning / valuation	49	191	118	83	- 283	115	64	- 95	242
Previous year	9	175	108	76	- 324	95	25	94	258
CIR	73.8%	33.3%	49.0%	43.6%	20.4%	17.9%	27.3%		48.7%
CIR for the previous year	97.5%	35.6%	53.6%	49.1%	26.5%	19.2%	30.7%		56.4%
RoRaC / RoE	15.7%	20.5%	28.4%	17.6%	-17.1%	24.5%	43.3%		2.1%
RoRaC / RoE for the pre- vious year	3.1%	22.8%	29.9%	21.8%	-19.1%	25.8%	11.4%		2.0%

Since 1 January 2015 the Corporate Customers & Markets and Ship and Aircraft Customers segments have been reported separately in internal and external reporting. This step will optimise capital market communication and further im-

prove transparency. The previous year's figures were adjusted accordingly. A small part of the earnings has been allocated to Financial Markets activities under Group Controlling/Others.

Private and Commercial Customers

31 Dec. 2015 (in € million)	Private and Com- mercial Customers	Trend	Development
Operating result after risk provi- sioning / valuation	49	↑	<ul style="list-style-type: none"> - Significant improvement on previous year's result. - In net interest income, reduced income from deposit business and investment on capital employed due to lower interest rates almost compensated for by increased income from lending business (in particular reversal of loan loss provisions). - Moderate increase in net commission income compared to the previous year due to securities and payment transactions. - Earnings from financial transactions in the trading portfolio not significant for the segment. - A transfer of the responsibility for meeting most of the company pension obligations to Unterstützungskasse in 2015 resulted in a significant reduction in staff expenses. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - The internal impact of overhead allocations was reduced significantly compared to the previous year by efficiency improvement measures and the redistribution of allocated operating costs in NORD/LB based on a benchmarking of savings bank activities. - Other operating profit/loss improved significantly by the reversal of provisions. - Instead of reversals in risk provisioning in the previous year, in the year under review specific valuation allowances were made in the mid-single-digit range.
Cost-Income- Ratio (CIR)	73.8%	↓	<ul style="list-style-type: none"> - CIR much better than in the previous year. - Lower administrative expenses are an important factor.
Return-on-Risk- adjusted-Capital (RoRaC)	15.7%	↑	<ul style="list-style-type: none"> - Significant improvement on the previous year's figure due to lower administrative expenses.

The celebrations for the 250th anniversary of the founding of BLSK (based on the year one of its predecessors was founded) were accompanied in BLSK's private customer business with special promotional products, including a credit card with a customisable motif, special promotions for building loan contracts and the Spar+Tresor product created especially for the anniversary. Other promotional products included the Spar+Invest and the fixed-interest savings investments. Growth was recorded in all of the aforementioned promotional products, in the building society savings business with private customers growth of around 30 per cent was generated.

Private Banking organised a foundation forum for the first time in the year under review. A platform for the exchange of information between disciplines in the North German foundation landscape was created. The event centred around lectures by well-known speakers and workshops on foundation work. This allowed Private Banking to further expand its reputation as a renowned supplier in foundation management.

In the year under review a comprehensive satisfaction survey of Private Banking customers took place. The aim was to gain ideas on how to improve the quality of advice. The survey showed that the NORD/LB customers interviewed are satisfied with their bank and have a high level of cus-

tomer loyalty. In addition to this, in Private Banking to special certificates were issued to supplement the investment portfolio of opportunity-oriented Private Banking customers in reaction to high maturities in the year under review in cooperation with Deka Bank Deutsche Girozentrale.

Despite the currently low investment interest rate due to the expansive monetary policy of the ECB and the fact that companies are increasingly falling back on their own liquidity for financing needs, sales of investment loans in BLSK's middle-market corporate customers business was at the previous year's level. BLSK's middle-market corporate customers business also took first place in Salzgitter and Braunschweig in contests run by Focus Money and "Die Welt" newspaper.

Commercial real estate finance in BLSK's middle-market corporate customers business was particularly successful. Here significant growth was generated compared to the previous year due to repositioning in sales.

Sales of Savings Bank Network products such as building loan products in the Corporate Customers segment, leasing, and composite insurance increased. The segment-specific sales concepts that have been launched in recent years and have been continually developed served as the basis for this.

With the participation of BLSK, the city of Salzgitter successfully issued a promissory note on the capital market for the fourth time in order to re-schedule existing loans.

Corporate Customers

31 Dec. 2015 (in € million)	Corporate Customers	Trend	Development
Operating result after risk provi- sioning/ valuation	191	↗	<ul style="list-style-type: none"> - Noticeable improvement on previous year's result. - Net interest income well above the previous year's level due to the expansion of business with in particular the acquisition of new customers. - Net commission income virtually unchanged at a high level. - Trading profit/loss well above the previous year's level due to the change in counterparty-specific default risk for derivatives (2014 negative). - Moderate increase in administrative expenses due to higher internal overhead cost allocations. In staff expenses the transfer of pension provisions to Unterstützungskasse had a positive impact. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - Other operating profit/loss was not relevant for the result of this segment. - Much higher allocation to risk provisioning. Risk provisioning remains at a low level though.
Cost- Income- Ratio (CIR)	33.3%	↘	<ul style="list-style-type: none"> - CIR well below previous year's figure. - Increase in income an important factor (growth case).
Return-on- Risk- adjusted- Capital (RoRaC)	20.5%	↘	<ul style="list-style-type: none"> - Noticeably lower RoRaC. - The background is the considerable increase in committed capital for business expansion purposes (growth case).

Even with fierce competition in middle-market business and the associated impact on the margins that can be achieved, the bank was able to further expand its corporate customer business in 2015 and consolidated its position as a core bank. NORD/LB opened a further office to look after corporate customers in Stuttgart. NORD/LB has therefore strengthened its position in the south, where it already has a sales office in Munich, and would like to see further growth.

Demographic change, new demands in the area of energy efficiency, increasing demand for housing require special expertise in residential finance, which NORD/LB has been able to demonstrate in particular in major projects such as the financing of a residential park in Halle with 113 apartments. The renovation and complete redesign of existing buildings and the addition of a new building has resulted in apartments with a modern, spacious layout and a high standard of fittings.

The digital age has also reached the agricultural sector. Landwirtschaft 4.0 (Agriculture 4.0) means greater efficiency in agricultural production processes due to digital networking. NORD/LB's agricultural customers are taking advantage of these opportunities to continually optimise efficiency and quality management in their processes. NORD/LB supports these future-oriented investments and in so doing helps its customers to be competitive in the long term.

In order to cover borrowing requirements in municipal lending business, in particular alternative forms of finance such as the municipal bonded loan was met with wide interest in 2015. Here NORD/LB was able to support its customers professionally and successfully beyond its owners' regions.

Markets

31 Dec. 2015 (in € million)	Markets	Trend	Development
Operating result after risk provisioning / valuation	118	↗	<ul style="list-style-type: none"> - Noticeable improvement in operating result after risk provisioning / valuation. - Fall in net interest income from security portfolios compared to the previous year due to the continuing period of low interest rates. - The special effect from the sale of custodian bank activities had a significant positive effect on net commission income. - Negative effects from valuation losses in securities business resulted in a lower trading profit. - A transfer of the responsibility for meeting most of the company pension obligations to Unterstützungskasse in 2015 resulted in a significant reduction in staff expenses. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - Other operating profit/loss is only of minor relevance for results for this segment. - Risk provisioning is insignificant in this segment.
Cost-Income-Ratio (CIR)	49.0%	↘	<ul style="list-style-type: none"> - Moderate improvement in CIR compared to the previous year. - The main reason for this is the reduction in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	28.4%	↘	<ul style="list-style-type: none"> - RoRaC slightly below previous year's level. - The significant increase in committed capital (due to the change in the model for market-price risks) more than compensates for the reduction in administrative expenses.

Significant drivers of the overall result in the Markets segment were customer business in traditional capital market products and near-capital-market products with institutional customers. In 2015 the Markets segment was again able to demonstrate its issuing competence for both own and third-party issues despite the challenging market environment. The strategic expansion of the Debt Capital Markets (DCM) segment for financial institutions, public and semi-public issues again developed successfully. The focus here was primarily on business activities in the euro covered bond market. As a result new issuers were gained from for example Northern Europe, Benelux, France, Germany, Austria, UK, Ireland and Canada.

In the German Pfandbrief market, NORD/LB extended its position in the primary market and was among the top three issuers. In the international euro covered bonds market NORD/LB was among the top 15. The covered bond clients acquired by NORD/LB in 2015 include in particular Raiffeisenbank Niederösterreich of Austria, ING Belgium and Crédit Foncier France. In particular the Nordea Finland issue, which was awarded the

prize for the “Best EUR Transaction” by “The Cover” trade journal, should be highlighted.

Within the scope of its funding activities, the division placed several billion euros worth of private placements with investors. For the first time since the expiry of the guarantor liability, NORD/LB 2015 successfully place a senior unsecured EUR benchmark issue on the market. NORD/LB also supported the first two benchmark issues of its Luxembourg subsidiary and issued covered bonds under Luxembourg law (lettres de gage publiques). NORD/LB acted as one of five syndicate leaders. For the state of Lower Saxony, NORD/LB extended the second Agreement for the Future (Zukunftsvertrag II) in 2015. This is a form of finance for the state of Lower Saxony which passes on the favourable loan conditions subject to requirements to municipalities.

The sale of the custodian bank function by NORD/LB and its acquisition by Landesbank Baden-Württemberg (LBBW) was relevant for the results of the Markets segment. The first customers were supported with the transfer of the custodian bank function and the portfolios were transferred to LBBW in exchange for compensation payments.

Energy and Infrastructure Customers

31 Dec. 2015 (in € million)	Energy and Infra- structure Customers	Trend	Development
Operating result after risk provisioning / valuation	83	↗	<ul style="list-style-type: none"> - Noticeable improvement in the contribution to the operating result after risk provisioning and valuation compared to the previous year. - Significant positive development in net interest income and moderate increase in net commission income due to business growth. - Very positive development in trading profit/loss in 2015, due in particular to positive valuation effects from counterparty-specific default risks in derivative business (2014 negative). - Moderate increase in administrative expenses due to higher internal overhead cost allocations. In staff expenses, the transfer of pension provisions to Unterstützungskasse had a positive impact. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - Other operating profit/loss virtually unchanged. - Reversal of risk provisioning for 2014 with manageable risk provisioning for 2015.
Cost-Income- Ratio (CIR)	43.6%	↘	<ul style="list-style-type: none"> - Noticeable fall in CIR due to increased income.
Return-on- Risk- adjusted- Capital (RoRaC)	17.6%	↓	<ul style="list-style-type: none"> - Significantly reduced RoRaC. - Significant average increase in committed capital up due to business growth more than compensates for the increased contribution to the operating result.

In the Energy and Infrastructure Customers segment, NORD/LB, despite increasing competition, maintained its market position as one of the leading financiers of renewable energies in its core European markets of Germany, France, Ireland and UK. In addition to the conclusion of financing agreements for a number of onshore wind parks including Northern Germany, in particular the financing of one of the biggest wind parks in Ireland, in which NORD/LB acted as the sole structurer and arranger, needs to be highlighted. Long-term investor funds were included in this transaction in the form of a new type of financing structure for the European market.

Furthermore, the entry into the Italian market that started in 2014 with several successful financing agreements in the areas of solar and wind energy was continued. A new market was opened up in Finland with the conclusion of an agreement to finance a wind park. In the US market NORD/LB

was able to involve in its role as syndicate leader another German lender in the financing structure of a gas pipeline.

According to the latest league table published by the IJ Global Project Finance & Infrastructure Journal, NORD/LB occupies fourth place worldwide in the category "Mandated Lead Arranger Renewables".

An important milestone for NORD/LB in the Asian region was the successful structuring and financing of a solar project in Japan. In the infrastructure segment, NORD/LB was awarded the silver 'Partnership Award' in 2015 in the category 'Debt Funder of the Year'. In particular the bank's role in the French market and in the area of waste management in UK were highlighted. The conclusion of a first financing agreement in the area of social infrastructure in the Netherlands needs to be highlighted.

Ship Customers

31 Dec. 2015 (in € million)	Ship Customers	Trend	Development
Operating result after risk provisioning / valuation	- 283	↗	<ul style="list-style-type: none"> - Operating profit/loss after risk provisioning and valuation remains significantly negative, but there has been a noticeable improvement. - Positive development in net interest income influenced by USD development. - Net commission income doubled due to successful restructurings and new business. - Significant fall in trading profit/loss due to lower number of completions. - A transfer of the responsibility for meeting most of the company pension obligations to Unterstützungskasse in 2015 resulted in a significant reduction in staff expenses. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - Significant increase in other operating profit/loss related to purchase of receivables. - Allocations to risk provisioning high with a slight increase due to the ongoing shipping crisis.
Cost-Income-Ratio (CIR)	20.4%	↓	<ul style="list-style-type: none"> - Significant improvement in CIR. - Fall in administrative expenses at the same time as increase in income.
Return-on-Risk-adjusted-Capital (RoRaC)	-17.1%	↗	<ul style="list-style-type: none"> - RoRaC remains negative, but noticeable improvement. - Slight increase in risk provisioning at the same time as sharp increase in income. - Slight reduction in committed capital. - Capital commitment generally rising due to the strong USD, but more than compensated for by a reduction in the shortfall.

In the Ship Finance segment, NORD/LB concentrated not only on dealing with the effects of the ongoing shipping crisis, but also on the systematic reconstruction and diversification of the portfolio. The focus here is on reducing the commercial shipping portfolio and increasing the cruise ship and ferry segment and very selectively offshore business. In the restructuring of existing finance, focus continues to be placed on improving the liability and cash flow structures in order to avoid and reduce risk provisioning.

In cooperation with a German shipping line with a strong credit rating, a fleet consisting of 12 ships was restructured and furnished with a long-term, contractually-binding bareboat charter. In addition, by concluding interest-rate hedges the entire interest-rate risk was placed with third parties. This resulted in an improvement in the loan-to-

value ratios and ratings as well as the substantial reversal of specific valuation allowances.

As a result, NORD/LB was able to further diversify the portfolio with active portfolio management in particular in different asset categories and regions with low-risk structures. One example is the financing of a second-hand Panamax class tanker for an Asian company. Due to its many years of market experience and the selective process for choosing assets to be financed, NORD/LB was able to acquire finance with high economic stability and medium-term financing terms. By working closely with its customers, NORD/LB has been able to consolidate and expand its high level of competence in the structuring of complex transactions to serve individual customer needs. Customers in the shipping industry benefit for example from being able to generate highly flexible and therefore company optimised financing funds by using

securitisation facilities in which NORD/LB purchases receivables from its customers. Due to its market expertise acquired over many years and a broad global customer base, NORD/LB is also able

to allow interested partners to participate in ship receivables of third parties with a top rating pooled and securitised NORD/LB.

Aircraft Customers

31 Dec. 2015 (in € million)	Aircraft Customers	Trend	Development
Operating result after risk provi- sioning / valuation	115	↑	<ul style="list-style-type: none"> - Significant increase in operating profit/loss after risk provisioning and valuation. - Positive development in net interest income influenced by strong USD development. - Net commission income steady at the level of the previous year. - Significant reduction in trading profit/loss due to lower number of completions. - Moderate increase in administrative expenses due to higher internal overhead cost allocations. In staff expenses, the transfer of pension provisions to Unterstützungskasse had a positive impact. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - Other operating profit/loss is insignificant in this segment. - Reversals in risk provisioning and income from receivables written off had a positive effect on the contribution to the operating result.
Cost- Income- Ratio (CIR)	17.9%	↘	<ul style="list-style-type: none"> - Moderate improvement in the CIR. - Increase in income higher than increase in costs.
Return-on- Risk- adjusted- Capital (RoRaC)	24.5%	→	<ul style="list-style-type: none"> - RoRaC roughly the same. - Strong USD resulting in an increase in income at the same time as an increase in committed capital. - Risk provisioning situation has had a positive effect on the RoRaC.

Currently aircraft finance, due to its sustained good performance in past crises, is becoming increasingly popular among financiers and investors in all regions, and accordingly competition is becoming more intense. NORD/LB is countering this development by, in addition to its role as a lender, acting increasingly as a responsible arranger of larger loan facilities. Other banks or investors are given the opportunity to participate. As a result commission-based advisory services play a greater role in NORD/LB's aircraft financing.

In this connection, NORD/LB was instructed by a leading global airline that has for many years been one of the bank's core customers to structure the finance for a new cargo aircraft. Other partners who rely on NORD/LB's expertise contributed to the overall finance.

A further highlight in 2015 was the financing of helicopters for the first time by NORD/LB with an operating lease for two modern offshore helicopters to serve wind parks in the North Sea. The initiators of this project are among the leading national providers in this area, both on the lessee side and for the energy sector customers involved.

NORD/LB has also extended its commitment for major portfolio transactions financed in the commercial interest of e.g. pension funds. Here the sponsors also rely on the market-wide-recognised expertise of NORD/LB. Based upon this, in future activities that are geared towards the arrangement of transactions primarily in the interest of third parties, will be stepped up. The structures for institutional investors worldwide

successfully supported in 2015 are an important milestone in this direction.

Real Estate Banking Customers

31 Dec. 2015 (in € million)	Real Estate Banking Customers	Trend	Development
Operating result after risk provisioning / valuation	64	↑	<ul style="list-style-type: none"> - In the reduction portfolio, a significant increase was achieved on the previous year's operating result after risk provisioning and valuation despite a fall in interest income and a lower trading profit/loss due to a noticeable net reversal in risk provisioning. - Due to scheduled and unscheduled repayments, net interest income fell significantly compared to the previous year as expected. - Negative net commission income due to a fall in remuneration costs for mandate with Deutsche Hypothekenbank with very positive trend. - The much lower trading profit/loss compared to the previous year is primarily due to the valuation of the counterparty-specific default risk of derivatives. - The portfolio reduction has resulted in a significant fall in administrative expenses, in particular internal cost allocations have reduced. - The transfer of pension obligations to Unterstützungskasse does not have a significant impact in this segment as the portfolio is supported by Deutsche Hypothekenbank. - Other operating profit/loss is insignificant in this segment. - Risk provisioning is influenced by reversals in the old portfolio, whereas allocations were necessary in the previous year.
Cost-Income-Ratio (CIR)	27.3%	↘	<ul style="list-style-type: none"> - The CIR is well below the previous year's level. - The relative fall in administrative expenses is greater than the relative fall in income.
Return-on-Risk-adjusted-Capital (RoRaC)	43.3%	↑	<ul style="list-style-type: none"> - Strong increase in the RoRaC. - Influenced by the reduction in committed capital due to the portfolio reduction and a significant increase in the contribution to the operating result.

In NORD/LB's Real Estate Banking Customers segment no significant developments were recorded in 2015, as the portfolio here is being reduced. This is reflected in a reduced level of fi-

nance. NORD/LB no longer takes on new business involving commercial real estate. The competence centre for commercial real estate finance is located in Deutsche Hypothekenbank.

Group Controlling/Others

31 Dec. 2015 (in € million)	Group Manage- ment/ Others	Trend	Development
Operating result after risk provision- ing/ valuation	- 95	↓	<ul style="list-style-type: none"> - Significant fall in earnings due to much lower result after risk provisioning and valuation. - Noticeable increase in net interest income in this segment due in particular to the significant increase in profit transferred from investments and Fürstenberg International redemption. - Slight increase in negative commission income from guarantee payments due to top-up of the Northvest guarantee. - Significant improvement in trading profit/loss due primarily to valuation effects with currency derivatives. - Slight increase in administrative expenses: on the one hand increased regulatory costs, increased consultancy fees from projects and since 2015 reporting of increased European bank levy under other administrative expenses; on the other hand this is seen alongside the positive impact on staff expenses of the transfer of the responsibility for meeting most of the company pension obligations to Unterstützungskasse in 2015. - Significant fall in other operating profit/loss due in particular to the non-recurrence of the accounting profit due to the Fürstenberg partial redemption in the previous year and negative valuation effects from securities. On top of this is the change in the reporting of the interest-rate effect, which is now no longer reported under staff expenses, but under other operating expenses. - Noticeable fall in the valuation result of securities and investments due in particular to the valuation requirements for HETA Asset Resolution. - Risk provisioning in 2015 heavily affected by allocation to provision for general bank risks (previous year: zero).

Target v Actual Comparison

31 Dec. 2015 (in € million)	Forecast previous year	Actual amount	Accounting variance	Statement
Operating result after risk provisioning and valuation	↘	242	→	<ul style="list-style-type: none"> - Slightly above target in operating result after risk provisioning / valuation. - Target for income (including other operating profit/loss) exceeded by a good € 300 million or 22 per cent. - Net interest income, against the expectation of a reduction, well above target due to an increase in profit transferred from investments, interest effects from swap terminations in connection with the Fürstenberg International redemption and the current result of interest and liquidity-risk management. - Interest income from customer business noticeably above target due in particular to margin effects achieved. - Target for net commission income met in full. - Earnings from financial transactions well below target due to valuation losses in securities transactions. - Administrative expenses 9 per cent below plan. - A change in the method for meeting most of the company pension obligations to Unterstützungskasse in 2015 resulted in a significant reduction in staff expenses not included in the plan. - Other administrative expenses compensate in part for the effect in staff expenses due to the reporting of the bank levy under actual material costs (in the plan under other operating profit/loss), due to the new ECB levy and high project costs (IT and regulatory requirements). - Other operating profit/loss much worse than in the negative plan, due in particular to the reporting of actual interest rate effects from pension and allowance provisions here (in the plan under staff expenses). - Risk provisioning more than double the target (due in particular to the ship portfolio). - Valuation result of securities and investments well above target despite negative valuation effects in the HETA Asset Resolution portfolio due to allocations in the investment portfolio.
Cost-Income-Ratio (CIR)	↑	48.7%	↓	<ul style="list-style-type: none"> - CIR much better than in the plan. - Income almost a quarter above target. - A transfer of the responsibility for meeting most of the company pension obligations to Unterstützungskasse in 2015 resulted in a significant reduction in staff expenses.
Return-on-Equity (RoE)	↘	2.1%	↑	<ul style="list-style-type: none"> - RoE well above target. - Operating result after risk provisioning and valuation only slightly above target. - However, profit before taxes significantly above target due to slight underspend on planned reorganisation expenses.

NORD/LB met its key targets in 2015 and in doing so produced a satisfactory operating result after risk provisioning and valuation that was slightly above expectations. The operating result before risk provisioning and valuation was well above target by a good 80 per cent due to the strong net interest income, while profit after taxes on the other hand was only slightly above half of the target due to a tax position that was well above the

tax position in the plan after the transfer of the responsibility for meeting most of NORD/LB's company pension obligations to Unterstützungskasse.

With the exception of the Ship segment, whose contribution to the operating result after risk provisioning and valuation was very negative contrary to expectations, all of the bank's other business

segments exceeded their budgeted contributions to the operating result, in some cases significantly, and in so doing more than compensated for in particular the adverse cyclical effect of the Ship segment.

While significant increases in the contributions to earnings were forecasted for the Private and Commercial Customers segment and Ship and Aircraft Customers at the time the plan was produced, a significant fall in the operating result after risk provisioning and valuation was forecasted for 2015 for the other segments.

In the segments the actual ratios stand comparison with the target ratios: Due to the good income

situation and fall in administrative expenses, the CIR was better than planned in all segments, whereas at the time the plan was produced an unchanged CIR had been expected in most segments, and an improved CIR had only been expected in Private and Commercial Customers (by 10 per cent) and in Energy and Infrastructure Customers (by 2 per cent). The RoRaC was better than expected in 2015 in all segments apart from the Ship segment, whereas a significant to moderate fall in the RoRaC had been expected at the time the plan was produced in all segments apart from Private and Commercial Customers and Ship Customers.

Overall Assessment

In the view of the Managing Board, NORD/LB's business performance was satisfactory.

Supplementary Report

After the reporting date of 31 December 2015, no events that are of relevance for the period under review from 1 January to 31 December 2015 took place.

Personnel and Sustainability Report

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Personnel Report

There is ever-increasing pressure to change in the banking industry. Ever-increasing market requirements, an increasingly complex regulatory environment and NORD/LB's diversified business model require efficient, value-adding, flexible and forward-looking personnel work. Demographics, digitalisation and diversity are also a challenge for the banking industry as a whole and therefore NORD/LB's personnel policy as well. NORD/LB's personnel work was again influenced in 2015 by demanding cost pressure on the bank as a whole: the bank needed investment scope and at the same time to meet its cost targets efficiently and effectively.

As a result, increased demands were placed on NORD/LB's staff in 2015, in particular in the areas of agility, leadership, performance orientation, competencies and professional qualifications. With a value-adding range of personnel tools and products, NORD/LB has been able to create, develop and secure jobs on a sustainable basis in NORD/LB. The personnel work has therefore been able to make a significant contribution to ensure that NORD/LB has the ability to invest, remains competitive and is fit for the future.

Strategic Direction

NORD/LB's strategic direction in respect of personnel is derived from the bank's business/risk strategy. It has the following central strategic control levers:

- Control of the number of personnel, i.e. value-adding allocation of available resources and capacity as well as securing and maintaining jobs;
- Control of factor costs, i.e. ensure a market-oriented and performance-related remuneration landscape with a strategic remuneration model;

- Control of the quality of personnel, i.e. enable necessary change as well as leadership and performance concepts;
- Transformation management, i.e. implementation of efficient personnel processes and an actively controlling and future-proof personnel policy.

With the continued harmonisation of personnel work in mind, these strategic control levers also provide the framework for the actions of the NORD/LB Group.

Market-oriented Remuneration

Ensuring that there is market-oriented and performance-related remuneration is a fundamental requirement of personnel work in NORD/LB. Consequently NORD/LB made significant changes to its remuneration system in 2015, contributing to the operationalisation of the strategic personnel control lever "Control of factor costs". At the heart of these changes was the refinement of all remuneration components in the interests of a transparent Total Compensation Statement. As a result the strategic remuneration work has therefore made NORD/LB more attractive as an employer and ensured that there is a performance-related incentive effect for staff.

Remuneration is disclosed due to extended regulatory requirements in the form of separate remuneration reports published by the companies of the NORD/LB Group.

Effective Resource Management

The whole of the NORD/LB Group underwent a challenging transformation process in 2015 with ambitious cost and headcount targets. At the end of 2015 NORD/LB employed 4 187 people (2014: 4 369). NORD/LB's headcount was therefore reduced according to plan by almost five per cent.

NORD/LB ensured the necessary stabilisation of a value-adding body of personnel together with the retention and transfer of know-how within the bank with systematic resource management. NORD/LB also focused on internal occupation ratios in 2015. In order to achieve its targets, NORD/LB used state-of-the-art resource management tools such as internalisation tools or staff pool solutions.

Quality Provider for Recruitment of Junior Staff

The apprenticeships offered by NORD/LB primarily comprise commercial professions, and in some cases a placement as part of a degree course, plus a range of trainee programmes. Increased performance requirements, mobility and flexibility of junior staff with at the same time cost and resource optimisation required a comprehensive procedure model in NORD/LB. With this the bank ensures the control of training and development of junior staff so that the bank's short and medium-term personnel needs are covered in a qualitative and quantitative sense with a pool of qualified young professionals that precisely meets the needs of the bank.

Against the industry trend, the number of applicants for apprenticeships with NORD/LB was above the previous year's level. A new apprenticeship campaign specifically targeting college drop-outs enabled the recruitment of new target groups. NORD/LB cooperates with the following colleges: Leibniz Universität Hannover, Hannover Center of Finance e.V. (HCF), Leibniz FH Hannover School of Business and Leuphana University of Lüneburg. The partnership with Leibniz FH was successfully extended in 2015.

The employer and the apprenticeships on offer are of a high quality compared to the competition. This is proven by the commitment of junior staff already recruited and a top position among German landesbanks in a well-known German employer ranking. Despite the Group-wide need for

efficiency improvements, a positive trainee rate of 4.1 per cent close to the previous year's level (4.3 per cent) was maintained. In addition, the number of junior staff in training (apprentices and trainees) with an amount of 172 was also in the range of the previous year (2014: 188).

With its good training rates, together with the high trainee retention rate, NORD/LB has this year again acted in keeping with its social and economic position and in accordance with its training policy.

Potential-oriented Personnel Policy

The potential-oriented personnel policy makes a valuable contribution to ensuring that NORD/LB is fit for the future. The control of the quality of personnel, i.e. enabling the staff to undergo necessary change and improve their willingness to lead and their commitment defined NORD/LB's personnel development policy in 2015. Priority was placed on the binding integration and establishment of a competence model which, in terms of performance, change, action and leadership competence, defines tasks, attitudes and competences uniformly in NORD/LB.

Efficiency and cost effects were achieved in 2015 for example in personnel processes and the expansion of web-based, location-independent training courses.

Holistic Diversity Management

Diversity management is an integral part of the personnel strategy in NORD/LB, for a working environment in which all staff are treated equally, regardless of gender, nationality, ethnic origin, religion, belief, disability, age, sexual orientation and identity provides the basis for successful personnel work. The operationalisation of NORD/LB's diversity management is influenced by the principles of the "Charta der Vielfalt" (Diversity Charta) of the companies in Germany, which NORD/LB signed up to in 2013. On the occasion of the 1st NORD/LB Diversity Day as a member of

“Charta der Vielfalt”, the bank extended its diversity focus by recognising the diversity of methods, points of view and experiences.

The systematic development of the management potential of women is achieved with targeted measures. The share of women in management therefore remained stable despite the continued job restructuring in 2015 at 21.1 per cent (2014: 22.0 per cent), with a slight fall in the share of women in the workforce at 50.3 per cent (2014: 50.9 per cent). The percentage of women on the Supervisory Board (27.8 per cent) and Managing Board (16.7 per cent) was unchanged compared to 2014. As in the previous year, NORD/LB employs people from 26 nations.

Rigorous Health Management

The health of employees is an essential value-adding factor for NORD/LB’s economic success. There are interdependencies between the operational working conditions and performance of the

workforce, which NORD/LB manages with the optimisation of working conditions on the one hand and the strengthening of personal resources on the other with a company health management programme. The objectives are summarised by a specific vision with high-quality standards and health-related key figures. NORD/LB offers proactive and preventive support mechanisms.

The service focused in 2015 on increased awareness-raising, training and qualification measures for managers with advisory services.

Despite the increasingly dynamic demands being placed on employees, with a rigorous health management programme to maintain and promote employee health, the sickness rate stabilised in NORD/LB in 2015 at 4.6 per cent (2014: 4.4 per cent).

Sustainability Report

Sustainability stands for lifestyles and consumption patterns that allow current and future generations to have a good life without using up the natural resources.

Sustainability is therefore the guiding principle for a society that is fit for the future and for NORD/LB a principle for operating a responsible business. On the basis of this principle, the Managing Board has passed a Sustainability Strategy which covers aspects of our corporate governance and the awareness of our responsibility towards customers, staff, society and the environment.

NORD/LB wants to make use of the opportunities presented by global change, manage reputation and business risks in a responsible manner and in doing so remain a good investment for its investors. The Sustainability Strategy should ensure that the Group will remain successful in the long term and that it will meet its responsibilities as a “corporate citizen”. The Sustainability Report, which complies with the standards of the Global Reporting Initiative (GRI), informs regularly about the progress made with the sustainability targets and also includes a progress report on its commitment for the ten principles of the UN Global Compact.

Forecast, Opportunities and Risk Report

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General Economic Development

Global Economic Outlook

The US economy will, after a weak fourth quarter, return to more dynamic growth in the current year. Against this background, the trend for the US job market will remain positive. The growth model for the Chinese economy continues to be in a period of modification, as a result it is expected that economic growth will slow slightly. However, support from fiscal and monetary policy measures will help to prevent a hard landing. The eurozone will continue its moderate economic recovery in the coming quarters.

Economic Forecast for Germany and the Eurozone

In Germany and in the eurozone business slowed to a degree after sentiment had shown itself to be surprisingly robust. The recent dip in the Ifo Business Climate Index is first of all just a snapshot in time, but it does reflect the increased risks for the German economy. These are the economic situation in China, recent events in the market and the geopolitical conflicts. In particular growth in China has slowed of late, while growth has come to a complete halt in other emerging markets such as Russia and Brazil. The most important sentiment indicators are, despite the increased risks, still in the growth zone and the conditions for a continuation of the recovery in Germany are good despite everything. The pillar of growth for 2015 will also remain intact in 2016: the signs for a further strong increase in consumption are very favourable. The latest fall in the price of all is having the effect of a small economic stimulus programme, particularly as the environment of low interest rates does not offer much incentive to save. We are forecasting that GDP growth for the current year will be at a similar level to the previous year.

The economic outlook is also good for the eurozone. For 2016 NORD/LB is expecting GDP growth of almost 1.5 per cent compared to the previous year. Private consumption remains the most im-

portant pillar here. Economic growth will also be stimulated by the low price of crude oil, the weak euro and the relaxed monetary policy of the ECB. However, the investment engine has still not started. There are not inconsiderable risks, such as the signs of weakness from China, the threat of terrorism, the geopolitical conflicts and the centrifugal forces that have openly manifested themselves in the EU with the refugee crisis. The thought alone of questioning the Schengen Agreement and the freedom of movement between the EU states have resulted in noticeable uncertainty in businesses. The Brexit discussion, separatist aspirations and populist right-wing parties becoming stronger are clearly poisonous for the current business climate.

Financial Market Development and Interest-rate Forecast

Despite raising interest rates in December 2015, the Federal Reserve will, especially against the background of the recent mixed signals from China, stick to a gradual normalisation of interest-rate policy. In any case, based on the latest FOMC statement a series of quarterly interest-rate increases is not expected for the current year.

In the eurozone a further relaxation in monetary policy is even expected. It is expected that the ECB will decide on new measures in March with the presentation of in part significantly revised inflation projections to stabilise inflation expectations and support the economic recovery. In our view this will include a further cut in the deposit facility interest rate, probably in one step by 20 basis points, with the extension of the Expanded Asset Purchase Programme (EAPP) also an option on the table. It is expected that the current monthly sum of purchases of public and private assets of € 60 billion will be increased slightly.

Against this background the yields of European government bonds fell significantly, particularly in the shorter and medium-term categories. The

money market rates will dive even deeper into the negative region following a further lowering of the deposit facility interest rate. For capital market interest rates higher yields are not expected until inflation normalises, therefore not before the end of 2016. There is little to suggest that there will be a sustained increase in capital market yields. An increase in yields to at most 0.7 per cent for German government bonds with a ten-year term currently appears to be the upper limit to the end of 2016. In particular in the first half of the year the yield will for a time even be well below 0.50 per cent, and a record low cannot be ruled out.

The differences in monetary policy on either side of the Atlantic suggest that there will be a sustained strong US dollar. However, NORD/LB is expecting a countermovement in the medium term, due in particular to the expected economic improvement in the eurozone. Till the end of the year it should approach 1.14 USD per EUR. China, global terrorism and geopolitical tensions remain potential factors of uncertainty for the markets as well. There will therefore be a sustained high level of volatility this year. In view of this forecasted development in the exchange rate, the EUR/USD cross currency basis swaps across the short and medium-term segment should stabilise between -35 and -40 basis points.

Banking Market Development

The continuing, albeit reducing credit risks of late in most countries in the European banking market will require further financial adjustments and possibly capital measures in order to achieve a sustainably stronger banking market. The European banks will also have to extend their earnings potential. Against this background competition is expected to become more intense.

The regulatory requirements will continue to increase. These will include in particular the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), the requirements for holding liabilities that are available to be bailed in and

other related capital ratios (including Minimum Requirement for own funds and Eligible Liabilities (MREL) and for banks important for the global system Total Loss Absorbing Capacity (TLAC)).

Higher capital adequacy requirements may result from the new Supervisory Review and Evaluation Process (SREP). Although the European banks have already made a major contribution to the stabilisation of the banking system, its sustainability will be reviewed once again in upcoming stress tests.

Shipping

The International Monetary Fund has revised its expectations downwards once again and lowered its forecasts in January. The expected global economic growth is seen 0.2 per cent lower than previously estimated for both 2016 (3.4 per cent) and 2017 (3.6 per cent). The World Bank is even expecting global economic growth of only 2.9 per cent for 2016. The reasons given for the poorer outlooks include weaker economic developments in the emerging countries. Against this background, the expectation for the start of the year in shipping remains subdued. Although there is no sign of a reversal in the trend for fuel costs, and therefore no additional strain will be placed on the shipping markets from here, in the core sectors the general indication is that there will only be a continuation of the current development. The tanker market remains robust. There are no indications of a change in strategy by OPEC despite the continuing surplus supply. Based on the assumption of a weaker economy in China, a sideways movement is probable for rate levels. For the container sector there were only occasional signs of impetus in the run-up to the Chinese New Year. Due to the significant increase in capacity and continuing deliveries of large container ships in 2016, competition remains intense. Consolidations among shipping lines will continue to influence the market in 2016. In addition, in the second half of the year following the approval of the new Panama Canal

Locks strong cascade effects are expected, which might accordingly have a negative impact on the rate levels of the subsegments concerned. An increase in scrapping activity might ease the strain. However, the global container fleet has rejuvenated greatly in recent years, therefore a fall in the scrapping age has to be expected. In the dry bulk sector scrapping has already risen despite the fall in the price of steel. The weakness of the market in the bulker segment is much more pronounced though. Although there was a sharp reduction in orders for newbuilds in 2015, positive effects on the supply side will not set in until 2017. Due to the slowdown in growth in the Chinese economy, little fresh impetus is expected on the demand side. However, seasonal fluctuations will result in temporary upturns in 2016. In contrast to the three core sectors, the positive sentiment in the cruise ship niche continues. In the current year ten new cruise ships will enter service. The well-filled order book reflects the current positive sentiment in the booming sector.

Aircraft

The IATA is forecasting global passenger transportation (RPK) growth of 6.9 per cent, which is well above the average growth for the last 20 years of 5.5 per cent. The demand for airfreight volume (FTK) is expected to grow by 3.0 per cent according to the IATA.

The IATA is expecting the net profit for global airlines to increase to \$ 36.3 billion, which would

equate to a net margin of approximately 5.1 per cent (2015: 4.6 per cent).

Real Estate

Global real estate investment will in general remain attractive in 2016 due to the continuing low level of interest rates, high liquidity and lack of alternative investments. The European real estate markets will continue to grow dynamically in 2016 because, among other things, in particular in Europe an increase in interest rates is not expected before the end of 2017. Interest rates will therefore remain key for investment decisions. Demand with an increasing number of international investors will further minimise the availability of core properties. There will again be great demand in 2016 in UK and Germany as “safe havens” for real estate investments. The robust economy and strong job market in Germany will again have a positive impact on the real estate market in 2016. The relaxed monetary policy of the ECB will ensure increasing interest in German real estate investments. It can therefore be expected that top returns for real estate in top locations (office and retail) will fall by approx. 20 basis points. A switch to real estate investments that are less exposed to economic fluctuations is expected in isolated cases. In the long term A and B locations also have comparatively high initial returns. For investors it will again become more difficult in 2016 to find attractive investments.

Overall Forecast with Opportunities and Risks Report

Key planning assumptions

In line with the strategic policy of NORD/LB, 2016 was planned on the basis of the current diversified business model which is characterised by the financing of different asset classes in the different business segments in opposing cycles. This year's plan is also based on the targets set by the Managing Board for 2016 (earnings before risk provisioning, earnings before taxes, regulatory total risk exposure, cost development and total assets). These measures were supported in the decentralised planning process by the profit and service centres with measures.

The binding premise for everyone involved in the decentralised planning process is the central medium-term economic forecast produced by NORD/LB Research. The forecasts stated in this for the development of the economy, interest rates, exchange rates, price inflation and financial markets are included in NORD/LB's planning. For 2016 it is assumed that interest rates in the short-term will be at the previous year's level and in the long 10-year term slightly above the previous year's interest rates. In addition, an average exchange rate of 1.14 USD/EUR is assumed in the planning, for Germany GDP growth of 2.1 per cent, a rise in consumer prices of 1.6 per cent and stability in the iTraxx are forecasted by NORD/LB Research. Detailed information can be found in the section dealing with general economic development.

The planning of NORD/LB's total risk exposure and regulatory capital for 2016 considers the relevant capital requirements derived from EU Regulation No. 575/2013 on prudential requirements for banks and investment firms (CRR) including transitional arrangements. In NORD/LB's plan, these regulatory requirements

concerning the required level of regulatory capital are met in full and continually.

NORD/LB plan for 2016

On the income side, in the plan for 2016 a significant fall in income compared to the previous year is expected. This is primarily attributable to the sharp fall in net interest income in the plan. A fall in income is anticipated due to the expected development of the USD/EUR exchange rate and the non-recurrence of special effects from the previous year (such as income from prepayment penalties, interest and dividend income from securities held for trading and swap terminations) and a fall in earnings from interest-rate and liquidity-risk management. Expenses related to the inclusion of subordinated capital planned for 2016 are also included. Net commission income and earnings from financial transactions on the other hand increase significantly in the plan for 2016 due to an expected increase in income from customer business, the sale of the custodian bank function and the non-recurrence of valuation losses from the previous year.

Risk provisioning will once again be primarily influenced by the ship portfolio and remains high. The valuation result is much lower in the plan for 2016 due to the non-recurrence of the previous year's special effects such as income realised from securities and write-ups of investments.

Administrative expenses fall slightly in the plan for 2016 compared to the previous year. Staff expenses are reduced slightly in the plan for 2016 compared to 2015 due to the expected implementation of cost-cutting measures. The main reason for the noticeable reduction in other administrative expenses is the reallocation of the bank levy in 2015 from other expenses to administrative expenses, but is still

included in the plan in other expenses. In addition, investment in selected customer segments and IT is planned.

Other operating profit/loss is well above the previous year's level in the plan as negative one-time effects from the previous year such as losses from the redemption of the bank's own issues are not included in the plan. The bank levy is still included in the plan under other operating profit/loss, but is now reported under administrative expenses.

No restructuring expenses are provided for in the plan under extraordinary earnings.

For 2016 an on the whole much lower operating result after risk provisioning and valuation is expected.

The CIR rises in the plan for 2016 compared to the previous year by around 6 percentage points due to a fall in income and a moderate reduction in administrative expenses; the RoE is expected to be a little lower at around 2 per cent.

Overall an acceptable increase in total risk exposure is planned in NORD/LB due in particular to investment in selected segments.

The contribution to the operating result after risk provisioning and valuation in the Markets segment increases significantly counter to the expected development for the bank as a whole due in particular to the expected increase in income compared to the previous year. This development is largely due to the proceeds from the sale of the custodian bank function, which has a particularly positive effect on net commission income as planned for 2016. In planned business initiatives with institutional customers, the Markets segment aims to achieve a higher trading profit/loss with higher sales margins. The segment is also expecting a

positive market development, which will make up for the valuation losses from security transactions in the previous year.

The operating result after risk provisioning and valuation in the Ship Finance segment will again be affected significantly by risk provisioning in 2016.

Opportunities and Risks

Opportunities will result due to the bank's robust business model from improving the good market position with a stable customer base and a broad diversification of risk. On this basis, in the current environment of low interest rates there are promising opportunities, by offering alternative capital market products, to increase the income of the bank with increased balance sheet turnover and cross-selling activities and to further diversify and optimise the credit portfolio. Institutional investors will in future have the opportunity to invest in the bank's credit portfolio and in so doing benefit from NORD/LB's strength in its main asset classes. Opportunities will also arise for NORD/LB due to the reduction in external credit spreads.

General opportunities and risks exist in deviations from planning assumptions for economic forecasts, interest-rate curves, recent court rulings on revocation instructions and loan processing fees, regulatory requirements such as the stress test, other capital requirements, bank levy and associated costs and the USD/EUR exchange rate. A further rise in the value of the USD towards parity with the EUR would result in NORD/LB on the one hand in small positive effects in the income statement and a slight increase in the total risk exposure on the other. Risks also exist in particular in the banking sector relating to the write-up or write-down of investments. There are also opportunities and risks in the implementation of projects covering the entire bank concerning IT, the

regulatory framework, costs and internal processes. Due to NORD/LB being a member of the security reserve for landesbanks and due to the “European bank levy”, in the event of compensation and support measures that might result in the funding of these institutions, special payments can also be demanded from NORD/LB. Due to the calculation scheme which is based in particular on the relative development of institute-specific parameters compared to the industry, it is currently not possible to foresee whether and in what amount such payments will be made. Such payments may have a negative impact on the banks assets, financial, earnings and liquidity position though.

Risks for the earnings position will arise again in 2016 from the continuing period of low interest rates, the possibility of unlimited availability of long-term unsecured funding not being permanent, unforeseeable market disruptions due to political or economic developments, terrorist attacks and geopolitical tensions, particularly in Ukraine and in the Middle East. A stronger improvement in the economy and a sustained improvement in the national debt crisis could have a positive impact on the bank’s results with an increase in income and lower risk provisioning.

Future challenges also lie in the increasing competition. Competitors, including institutional organisations, are increasingly providing customers with alternative financing options and in so doing are placing increasing pressure on future volumes, margins and commission. There is also the risk of unscheduled repayments, which might result in a fall in interest income in future.

In addition to the general opportunities and risks, NORD/LB also sees the following segment-specific opportunities and risks:

For BLSK’s business in the Private and Commercial Customers segment, risks may arise from an escalation of the VW emissions scandal. Besides having an impact on the propensity of suppliers based in the region to invest, cost-cutting measures required by the companies concerned as a result of this might have a negative impact on the income situation of private customers and public budgets.

The earnings performance of the Ship Customers segment continues to be affected by the crisis in the shipping sector. A market recovery in the form of rising charter rates and market values of ships may take effect at a different time and to a different degree than assumed in the plan with corresponding risks, and opportunities, for the earnings performance of the bank. The unplanned insolvency of shipping lines and companies and a fall in charter rates may result in an increase in risk provisioning compared to the plan. At the same time, due to the general “investment crisis”, there is the opportunity to find opportunistic investors for valuable rescue solutions for restructuring cases / insolvencies or to attract opportunistic investors to participate in the financing of new business opportunities.

Growth opportunities exist in the aircraft industry with the extending of financing know-how to helicopter finance in the Aircraft Customer segment. Newly launched or improved aircraft models might, after a certain market penetration level has been reached, place pressure on the residual values of models with outdated technology. It also remains to be seen whether the major aircraft manufacturers, despite announcing production improvements, maintain the discipline shown in the past to prevent surplus supply and in so doing ensure that the value of the delivered fleet remains stable.

Extended Risk Report

Risk Management - Development in 2015

The utilisation of risk capital in the going-concern scenario improved slightly in the year under review and is 32 per cent as at the reporting date. Compared to the previous year, both risk capital and market-price and investment risks have in-

creased slightly. Of the material risks included in the model, namely credit, investment, market-price, liquidity and operational risk, credit risk is by far the most significant. The utilisation of risk capital in the going concern can be seen in the following table which shows risk-bearing capacity:

Risk-bearing capacity (in € million)	31 Dec.2015		31 Dec.2014 ¹⁾	
	Value	Percentage	Value	Percentage
Risk capital	4 243	100%	3 901	100%
Credit risk	511	12%	485	12%
Investment risk	338	8%	206	5%
Market-price risk	408	10%	334	8%
Liquidity risk	121	3%	113	3%
Operational risk	71	2%	73	2%
Other ²⁾	- 130	- 3%	- 87	- 2%
Total risk potential	1 318	-	1 124	-
Risk capital utilisation	-	31%	-	29%

¹⁾ The previous year's figures were adjusted.

²⁾ Includes adjustment items for the comparison between the regulatory and economic expected losses.

Overall utilisation is well below the internally specified maximum value of 80 per cent. The specifications of the risk strategy concerning the allocation of risk capital to risk types were also complied with.

In 2015 NORD/LB was informed of the requirements that will need to be met at Group level in future within the framework of the Supervisory Review and Evaluation Process (SREP) for banks. The bank has taken suitable measures to meet the requirements.

In adjusting the internal control committees to the logic of the Supervisory Review and Evaluation Process (SREP), the bank is seeking to change the current risk-bearing capacity model. In this connection, in particular the premises concerning the ICAAP Control Committee are being harmonised with the requirements of the institute-specific SREP assessment. The new concept draws on the established core elements of risk management (risk strategy, risk inventory) and is a targeted

development of the existing Risk-bearing Capacity Control Committee.

In addition, NORD/LB is preparing for the European Banking Authority's EU-wide stress test in 2016.

Credit Risk - Development in 2015

The term total exposure plays a significant role in the context of credit risk control. Calculation of the total exposure is based on utilisation (in the case of guarantees the nominal value and in the case of securities the carrying amount) and the credit equivalents resulting from derivatives (including add-ons and in consideration of netting). Irrevocable and revocable credit commitments are included in the total exposure, while securities against NORD/LB are ignored. Also included in the total exposure are investments.

Analysis of the total exposure

NORD/LB's credit exposure as at 31 December 2015 amounts to € 126 billion and has therefore

fallen compared to the previous year's value by seven per cent. Most of the total exposure continues to lie in the very good to good rating classes.

The classification is based on the standard IFD rating scale which the banks, savings banks and associations in the "Initiative Finanzstandort Deutschland" (IFD, initiative for Germany as a financial location) have agreed on in order to improve comparability between the rating levels

of the individual credit institutes. The rating classes of the 18-step DSGV rating master scale used in NORD/LB can be transferred directly into the IFD classes.

The Rating Structure table shows the breakdown of the total exposure in NORD/LB by IFD rating class and product type.

Rating structure¹⁾²⁾	Loans	Securities³⁾	Derivates⁴⁾	Other⁵⁾	Total exposure	Total exposure
(in € million)	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2014
very good to good	62 076	21 987	6 259	8 960	99 281	107 458
good / satisfactory	6 036	162	164	688	7 050	8 118
reasonable / satisfactory	4 943	42	114	557	5 657	5 148
increased risk	4 726	16	110	331	5 183	5 530
high risk	1 879	–	7	47	1 934	2 174
very high risk	1 902	2	35	34	1 974	1 849
default (=NPL)	4 993	111	39	40	5 183	5 256
Total	86 555	22 320	6 729	10 657	126 262	135 531

¹⁾ The allocation is made based on the IFD rating classes.

²⁾ Differences in totals are rounding differences.

³⁾ Includes the securities holdings of third-party issues (only banking book).

⁴⁾ Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.

⁵⁾ Includes other products such as pass-through and administered loans.

The fall in total exposure was accompanied by a 8 per cent fall in items in the rating class very good to good in the year under review. The very high share of these best rating categories in the total exposure of 79 per cent (79 per cent) is explained by the great importance of business with public authorities and with financing institutes with a good credit rating and therefore at the same time reflects the conservative risk policy of NORD/LB. The exposure in rating categories with a high to

very high risk and the exposure in non-performing loans (NPL) fell in the year under review.

The breakdown of total exposure by industry group shows that business conducted with financing institutes and with public administrations, which basically remains low risk, accounts for 55 per cent (60 per cent) and still constitutes a considerable share of the total exposure.

Industries¹⁾²⁾	Loans	Securities³⁾	Derivates⁴⁾	Other⁵⁾	Total exposure	Total exposure
(in € million)	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2014
Financing institutes / insurance companies	24 209	12 921	2 779	6 284	46 194	55 777
Service industries / other	32 037	8 116	1 354	1 174	42 681	44 720
Of which: Land, housing	5 564	–	482	214	6 260	6 635
Of which: Public administration	14 876	7 913	408	24	23 221	25 536
Transport / communications	17 163	273	636	97	18 169	17 653
Of which: Shipping	11 871	–	96	20	11 987	10 968
Of which: Aviation	3 398	–	18	–	3 416	3 972
Manufacturing industry	3 366	488	644	153	4 651	4 439
Energy, water and mining	6 301	424	975	1 805	9 506	7 901
Trade, maintenance and repairs	1 924	71	215	93	2 302	2 300
Agriculture, forestry and fishing	657	–	4	1 035	1 696	1 591
Construction	898	26	122	17	1 064	1 150
Total	86 555	22 320	6 729	10 657	126 262	135 531

¹⁾ The figures are reported, as in the internal reports, by economic criteria.

²⁾ To ³⁾ please see the preceding Rating Structure table.

The breakdown of the total exposure into regions shows that the eurozone accounts for a high share of 80 per cent (83 per cent) of total exposure and remains by far the most important business region of NORD/LB. Germany's share is 65 per cent (68 per cent).

Regions¹⁾²⁾	Loans	Securities³⁾	Derivates⁴⁾	Other⁵⁾	Total exposure	Total exposure
(in € million)	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015
Euro countries	67 006	19 663	3 885	10 513	101 068	112 584
Of which: Germany	54 243	14 991	2 621	9 831	81 685	92 771
Other Europe	6 670	1 308	1 740	27	9 746	8 562
North America	5 082	275	593	7	5 956	4 991
Middle and South America	2 682	742	30	–	3 454	3 060
Middle East / Africa	1 098	–	8	16	1 122	978
Asia / Australia	4 018	332	471	95	4 915	5 355
Total	86 555	22 320	6 729	10 657	126 262	135 531

¹⁾ The figures are reported, as in the internal reports, by economic criteria.

²⁾ To ³⁾ please see the preceding Rating Structure table.

Overall the exposure in Greece, Ireland, Italy, Portugal and Spain fell slightly to to € 3.8 billion (€ 4.1 billion). Their share in the total exposure is only 3 per cent. The value of receivables owed by the respective countries, regional governments and municipalities remained at € 72 million.

Exposure in selected European countries¹⁾²⁾	Greece	Ireland	Italy	Portugal	Spain	Total
(in € million)	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015	31 Dec. 2015
Sovereign Exposure	-	19	-	46	7	72
Financing institutes / insurance companies	-	329	83	-	88	501
Corporates / Other	21	2 577	393	49	166	3 206
Total	21	2 925	476	95	262	3 779

¹⁾ The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.

²⁾ Differences in totals are rounding differences.

Exposure in selected European countries¹⁾²⁾	Greece	Ireland	Italy	Portugal	Spain	Total
(in € million)	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014
Sovereign Exposure	-	19	-	46	7	72
Financing institutes / insurance companies	-	257	345	8	153	764
Corporates / Other	218	2 627	206	75	144	3 270
Total	218	2 903	551	129	305	4 107

¹⁾ The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.

²⁾ Differences in totals are rounding differences.

NORD/LB has an exposure of € 730 million in Cyprus in the corporates / others category. This primarily concerns a ship exposure whose economic risk lies outside of Cyprus. NORD/LB does not have any sovereign exposure or exposure to financing institutes and insurance companies in Cyprus.

In Hungary, NORD/LB has an exposure of € 18 million (corporates / others), and in Russia it has an exposure of € 228 million (€ 78 million corporates, € 150 million financing institutions and insurance companies). The exposure in Argentina, Egypt, Slovenia and Ukraine is of minor significance. NORD/LB is also closely monitoring and analysing developments in the countries mentioned. However, the bank does not consider it necessary to make provisions at this stage.

In addition to direct exposure, the respective reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees the

nominal value and in the case of securities the carrying amount according to German Commercial Code (Handelsgesetzbuch (HGB)) and the credit equivalents resulting from derivatives (including add-ons and in consideration of netting). Irrevocable and revocable credit commitments are included in the total exposure, while securities against NORD/LB are ignored.

Sovereign exposure also comprises exposure to regional governments, municipalities and state-related public-sector companies enjoying government guarantees.

Non-performing loans

For acute counterparty risks relating to lending business reported in the balance sheet, if there are objective indications of a permanent loss in value NORD/LB makes specific valuation allowances and lumpsum specific loan loss provisions. A need for loan loss provisions is based on a present value consideration of anticipated interest and redemp-

tion payments which are still expected as well as on other earnings, in particular from the realisation of collateral.

NORD/LB takes account of latent counterparty risk relating to transactions with non-banks for which no specific valuation allowances are established by establishing general loan loss provisions. Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

Irrecoverable loans of up to € 10 000 for which there is no specific valuation allowance are written off immediately. Payments received for writ-

ten-off loans and advances are recognised through profit or loss.

The value-adjusted exposure and the balance of specific valuation allowances, lumpsum specific loan loss provisions, loan loss provisions, national valuation allowances and lumpsum loan loss provisions increased in NORD/LB due primarily to an increase in valuation allowances for the shipping portfolio. The ratio of this balance to total exposure rose in the period under review from 1.3 per cent to 1.6 per cent.

Risk provisioning 1 Jan.–31 Dec. 2015	Specific valuation allowances (lumpsum specific loan loss provisions, loan loss provisions)	National loan loss provisions	General loan loss provisions
(in € million)			
Opening balance	1 651	–	95
+ New provision / increase	944	–	38
- Disposal	– 752	–	–
of which: debt losses (consumption)	– 330	–	–
of which: reductions	– 422	–	–
+/- Other addition or disposal	– 41	–	–
+/- Transfer	–	–	–
+/- Currency conversion	89	–	1
Closing balance	1 891	–	134

The balance of non-performing loans of € 5.2 billion is primarily secured by standard bank collateral and other credit enhancements valued on the basis of lending principles. The NPL exposure is covered 39 per cent (33 per cent) by risk provisioning before the inclusion of collateral. In addition to the impaired receivables, these NPLs also include all of the receivables of rating notes 16 to 18 (IFD risk class default (NPL)).

The share of total NPLs in the total exposure rose slightly in the period under review and is as at 31 December 2015 4.1 per cent (3.9 per cent). The increased exposure in the amount of € 3.7 billion (€ 3.6 billion) makes up 3 per cent (2.7 per cent) of the total exposure.

Industries ¹⁾²⁾	Total exposure of impaired receivables		Specific valuation allowances, lumpsum specific loan loss provisions, provisions for lending business	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
(in € 000)				
Financing institutes / insurance companies	159 332	223 387	33 041	102 618
Service industries / other	362 130	644 671	175 354	244 163
Transport / communications	2 975 058	2 487 464	1 560 832	1 174 734
Manufacturing industry	45 229	196 831	31 819	81 693
Energy, water and mining	148 253	71 477	64 145	26 386
Trade, maintenance and repairs	9 743	5 877	4 188	3 205
Agriculture, forestry and fishing	33 455	5 611	8 444	3 101
Construction	12 013	13 664	13 036	15 165
Total	3 745 212	3 648 982	1 890 858	1 651 066

¹⁾ The figures are reported, as in the internal reports, by economic criteria taking into account IFRS accounting rules.

²⁾ Differences in totals are rounding differences.

Regions ¹⁾²⁾	Total exposure of impaired receivables		Specific valuation allowances, lumpsum specific loan loss provisions, provisions for lending business	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
(in € 000)				
Euro countries	3 112 175	3 215 407	1 523 227	1 553 866
Other Europe	96 130	139 564	56 059	59 377
North America	-	-	-	-
Middle and South America	24 538	11 169	11 537	2 307
Middle East / Africa	292 009	166 501	190 338	34 137
Asia / Australia	220 361	116 342	109 697	1 415
Total	-	-	-	-
Total	3 745 212	3 648 982	1 890 858	1 651 066

¹⁾ The figures are reported, as in the internal reports, by economic criteria taking into account IFRS accounting rules.

²⁾ Differences in totals are rounding differences.

Due to offsetting with collateral, NORD/LB's risk-weighted assets as at 31 December 2015 were reduced by € 11 billion (€ 11 billion); this equates to a share of 21 per cent (22 per cent) in the total risk position before risk mitigation. (The previous year's figures were adjusted.) Here mainly financial collateral and guarantees from states and banks were offset.

Credit risk – outlook

Against the background of the continuing difficult market conditions for ship financing, NORD/LB expects that risk provisioning will again be significant in 2016, just slightly less than in 2015. NORD/LB will continue to monitor developments

closely and where necessary proceed with the measures to strengthen the risk protection ratios.

In 2016 measures to further optimise the models for quantifying and controlling credit risks are planned. In addition to developing the economic credit risk model, the collection of loss data to validate the components Loss Given Default (LGD) and Credit Conversion Factor (CCF) will be expanded.

Investment Risk - Development in 2015

In order to enhance earnings potential and reduce committed capital and potential risk relating to participating interests NORD/LB has, on the basis of a critical review of the investment portfolio, disposed of a range of participating interests since

2005. This strategy was continued in the year under review. In 2015 in particular the investment in LHI Leasing GmbH was disposed of. A few smaller investments were also sold or liquidated.

The risk potential reported in the going concern of the investment portfolio rose in the year under review to €338 million (€ 206 million) despite these disposals. The reason for this is that silent participations, that were still reported under credit risk as at 31 December 2014, are now reported under investment risk.

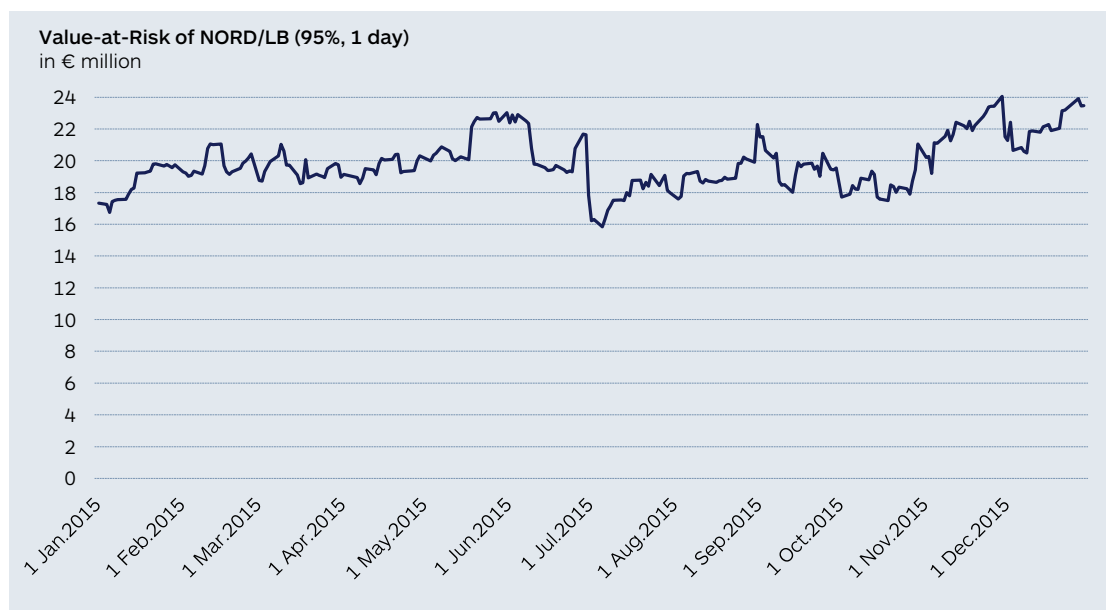
Investment risk – outlook

Significant tasks for 2016 will be the further sys-

tematic reduction of investments which are not relevant for NORD/LB's business model and the further development of stringent controls for investments in relation to the risk-return ratio and the further development of the materiality concept with a view to improved integration of investment control and risk control at overall bank level.

Market-price Risk - Development in 2015

NORD/LB's market-price risk developed at a moderate level in the year under review relative to the allocated economic capital and the limits derived from this.



The average NORD/LB utilisation of market-price risk limits for the year was 60 per cent (60 per cent), with maximum utilisation amounting to 72 per cent (89 per cent) and minimum utilisation at 47 per cent (40 per cent).

During the course of 2015, the daily VaR (confidence level of 95 per cent and holding period of one day) fluctuated between € 16 million and

€ 24 million, with an average value of € 20 million. As at 31 December 2015, a VaR of € 23 million was calculated for NORD/LB, higher than in the previous year.

The VaR calculated on the basis of regulatory parameters (confidence level of 99 per cent and holding period of ten days) amounted to € 95 million in NORD/LB on 31 December 2015

(€ 67 million). These figures also include, unlike the regulatory reporting, the interest-rate and share-price risks in the banking book.

Market-price risks (in € 000)	Maximum			Average		Minimum		End-of year risk	
	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014	
Interest-rate risk (VaR 95 %, 1 day)	25 855	23 760	20 738	18 842	16 354	13 061	25 512	18 465	
Currency risk (VaR 95 %, 1 day)	2 271	1 365	1 594	685	634	366	659	1 063	
Share-price and fund-price risk (VaR 95 %, 1 day)	2 889	1 654	2 255	1 320	972	815	2 714	1 654	
Volatility risk (VaR 95 %, 1 day)	2 234	1 212	1 443	644	328	329	2 124	947	
Other add-ons	142	115	60	48	-	-	142	50	
Total	24 058	24 584	19 849	19 505	15 834	13 239	23 475	18 887	

Unlike the credit-spread risks for the liquidity reserve, the credit-spread risks of fixed assets in the going-concern scenario are not included in the VaR for market-price risks. In 2015 the credit investment items concerned were also further reduced by trimming measures. At the same time, targeted new investments in corporate bonds, credit default swaps were made for portfolio management in the liquidity reserve.

The effects of a standardised interest-rate shock in the banking book are also analysed in accordance with the requirements of the Capital Requirements Regulation (CRR). The result for NORD/LB with the subordinate bank Deutsche Hypo as at 31 December 2015 is at 7.43 per cent well below the regulatory threshold which provides for a maximum share of 20 per cent of authorised equity capital. The interest-rate shocks are reported at the level of NORD/LB in conjunction with the subordinate bank Deutsche Hypo.

Market-price risk – outlook

NORD/LB will continue to monitor closely all of the relevant asset categories in 2016 as at least short-term, volatile market fluctuations can be expected. Based on its conservative risk policy, the gradual

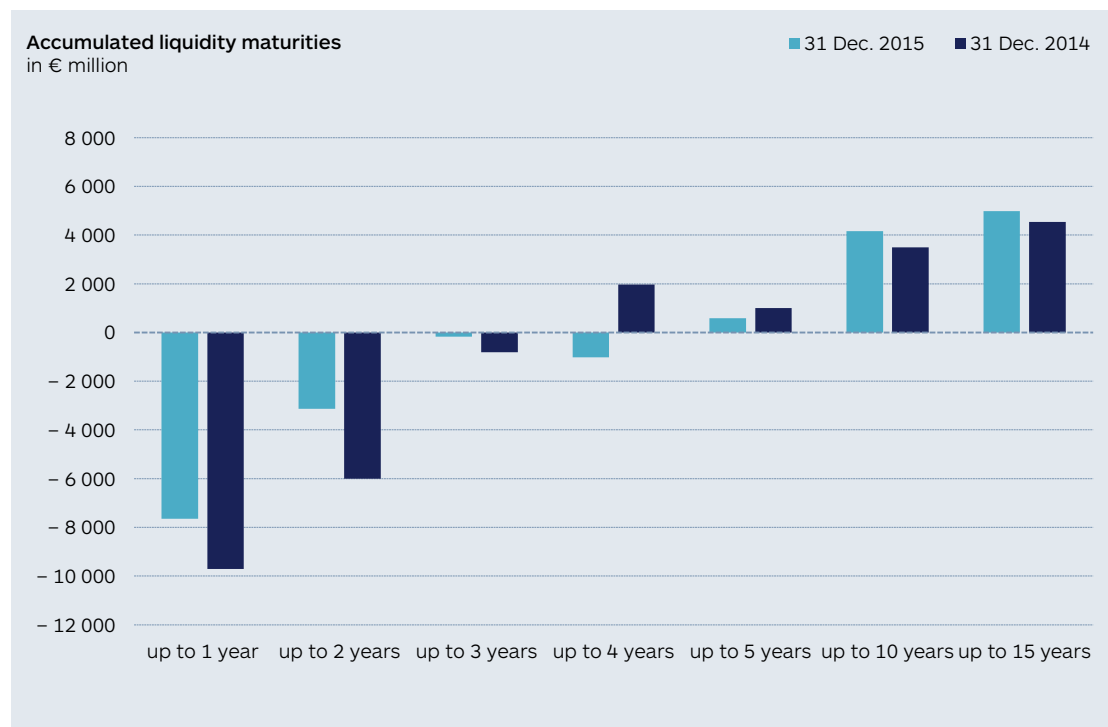
improvements to the risk models, the risk control process and focused trading strategy, NORD/LB believes though that it is also well-prepared for turbulent market phases.

Liquidity Risk – Development in 2015

The market-wide liquidity situation in the euro-zone was primarily affected in 2015 by the monetary measures taken by the European Central Bank, in particular the bond purchase programme launched in the spring (quantitative easing). In addition, the measures to implement the European banking union (SSM/SRM) are relevant for price setting in the European inter-banking market.

NORD/LB had a sufficient supply of liquidity at all times in the year under review. NORD/LB's liquidity maturity balance sheet is within the limits derived from the risk-bearing capacity and shows as at the end of the year under review in the maturity bands up to two years a reduction in liquidity requirement and in the maturity band up to four years a reduction in the liquidity surplus. The benchmark issues with guarantor liability that expired in the fourth quarter were managed successfully (and within the RBC limits). The liquidity risk limits derived from the risk-bearing capacity and updated in the period under review were

complied with at all times; this applies for all currencies considered together and for the principal individual currencies.



NORD/LB's funding primarily comprises liabilities to banks at 27 per cent (31 per cent), to customers at 35 per cent (31 per cent) and securitised liabilities at 18 per cent (19 per cent). In addition to unsecured securities, NORD/LB also uses secured securities, including Öffentliche Pfandbriefe in euros and US dollars and Immobilienpfandbriefe, Schiffspfandbriefe and Flugzeugpfandbriefe. Covered bonds in circulation, including bonds which were issued before the Covered Bond Act (*Pfandbriefgesetz*) came into effect, total € 20 billion (€ 20 billion, previous year's figure adjusted), with public sector covered bonds accounting for the biggest share.

NORD/LB operates in markets with the highest possible level of liquidity and maintains a portfolio of high-quality securities. As at the reporting date it possesses securities in the amount of € 23

billion (€ 29 billion), 89 per cent (92 per cent) of which for repo transactions with the European Central Bank or the US Federal Reserve.

Due to the attentive monitoring of markets and active liquidity control, it was ensured at all times in the year under review that NORD/LB had sufficient liquidity. The liquidity ratio calculated in accordance with the German Liquidity Regulation was at all times well over the minimum of 1.00 required by regulatory provisions. At the end of the year the ratio was 1.77 (1.33).

The liquidity stress tests used for internal control showed a very satisfactory liquidity situation for NORD/LB as at the reporting date. The liquidity buffers for one week and one month in accordance with the Minimum Requirements for Risk Management are also complied with.

Overall the measurement and control processes were extended and validated in 2015.

Liquidity risk – outlook

In 2016 liquidity management will face the ever-increasing challenges of managing liquidity in a difficult environment for achieving returns (negative interest rates) and utilising liquidity surpluses purposefully.

The monitoring and management of liquidity risk in NORD/LB will be expanded. Even greater focus will be placed on the SREP/ILAAP requirements for integrated liquidity management.

Following the inclusion of the LCR, NORD/LB is now also focusing on the further regulatory key figures ALMM and asset encumbrance. In 2016 great importance will again be attached to the more stringent requirements placed on NORD/LB's management and reporting.

Operational Risk – Development in 2015

The total amount of NORD/LB's claims in 2015 was € 16.8 million and therefore less than in the previous year (€ 17.2 million, previous year's figure adjusted). The cause category "external influences" continues to dominate due to increases in provisions for legal risks from loan processing fees and allegedly erroneous cancellation clauses.

For risks from projects a process for comprehensive analysis and assessment has been created so that in future any risk concentrations can be identified in the Governance, OpRisk & Compliance Report.

The Compliance Department ensures that the rules against the financing of terrorism are complied with in NORD/LB with comprehensive protection and prevention measures.

Operational risk – outlook

The implementation of an integrated approach to the management of operational risks has helped

to further increase the transparency of operational risks and make targeted control possible.

With scenario analyses that are conducted on a regular basis and that also simulate the effect of externally observed events in NORD/LB, targeted recommendations for action can be derived.

The early identification of risks is supported by an extensive system of indicators.

Overall Assessment

NORD/LB has taken account of all the risks known to the bank by employing precautionary measures. Suitable instruments have been implemented for the purpose of recognising risks early.

The utilisation determined in the RBC model shows that risks were covered at all times during the period under review. NORD/LB also complied with the applicable regulatory provisions concerning equity capital and liquidity throughout 2015. It has also taken due account of the regulations relating to large credit limits in accordance with art. 387 - 403 of the CRR and of all the risks known to the bank by employing precautionary measures. Suitable instruments have been implemented for the purpose of recognising risks early. At present NORD/LB is not aware of any risks that would put the existence of the bank at risk.

General opportunities and risks exist in deviations from planning assumptions for the USD/EUR exchange rate, interest-rate curves and costs related to regulatory requirements.

Further challenges exist in the implementation of the cost-reduction programme.

NORD/LB's development currently depends above all on the continuing uncertain developments in the shipping markets and the development of the Euro countries, in particular the peripheral coun-

tries. The current global trouble spots, in particular in Ukraine and in the Middle East, continue to present risks. A longer period of low interest rates might also affect in particular the bank's net interest income. On the other hand a stronger improvement in the economy and a sustained improvement in the national debt crisis could have a positive impact on the bank's results with an increase in income and lower risk provisioning.

In many markets the level of competition is increasing with effects on margins and new business, and a range of regulatory requirements will tie up capacity and result in pressure on income and costs.

Based on the current state of the analyses, NORD/LB considers the foreseeable effects of these events to be manageable and will continue closely to monitor and analyse developments.

Annual Financial Statements

90	Balance Sheet
94	Income Statement

Assets side

Norddeutsche Landesbank Girozentrale

	€	€	€	2014 Tsd €
1. Cash reserve				
a) Cash on hand		53 701 185.57		60 334
b) Balances with central banks		532 120 394.69		716 908
of which:			585 821 580.26	777 242
with the "Deutsche Bundesbank" _____ €	436 473 940.73			(594 808)
2. Claims on banks				
a) mortgage loans		39 140 534.90		44 329
b) municipal loans		10 217 533 756.37		10 075 769
c) Other claims		10 605 308 378.85		14 146 215
			20 861 982 670.12	24 266 313
Due on demand _____ €	3 119 567 524.81			(3 871 631)
against securities lending _____ €	0,00			(0)
3. Claims on customers				
a) mortgage loans		5 103 156 342.34		4 940 757
b) municipal loans		17 826 795 992.79		19 524 242
c) Other claims		36 024 808 518.06		33 640 281
			58 954 760 853.19	58 105 279
against securities lending _____ €	0,00			(0)
4. Debt securities and other fixed-interest securities				
a) Money-market instruments				
aa) Issued by public sector borrowers		13 268 598.60		12 753
of which: eligible as collateral for "Deutsche Bundesbank" advances _____ €	0,00			(0)
ab) Issued by other borrowers		173 469 036.57		12 355
			186 737 635.17	25 108
of which: eligible as collateral for "Deutsche Bundesbank" advances _____ €	0,00			(0)
b) Bonds and debt securities				
ba) Issued by public sector borrowers		7 852 407 970,36		8 588 013
				0
of which: eligible as collateral for "Deutsche Bundesbank" advances _____ €	7 604 108 051.35			(8 522 510)
bb) Issued by other borrowers		13 084 653 877.49		17 031 302
			20 937 061 847.85	25 619 315
of which: eligible as collateral for "Deutsche Bundesbank" advances _____ €	10 954 460 449.78			(14 803 842)
c) Debt securities, issued by the institution itself				
Nominal amount _____ €	176 227 225.13		179 020 321.29	217 256
				(212 073)
Amount carried forward			21 302 819 804.31	25 861 679
			101 705 384 907.88	109 010 513

Balance sheet as at 31 December 2015

Assets side

	€	€	€	2014 Tsd €
Amount carried forward			101 705 384 907.88	109 010 513
5. Shares and other non fixed-interest securities			1 249 345 343.53	1 249 697
5a. Trading portfolio			10 866 726 929.35	11 515 630
6. Participating interests			103 630 832.87	138 628
of which:				
in banks _____	296 480.46			(297)
in financial institutions _____	230 415.47			(267)
7. Investments in affiliated companies			2 085 087 512.26	1 967 565
of which:				
in banks _____	1 492 842 997.06			(1 458 202)
in financial institutions _____	0.00			(3 000)
8. Assets held in trust			4 184 295 030.29	4 450 467
of which:				
loans on a trust basis _____	4 184 295 030.29			(4 450 467)
9. Intangible assets				
a) internally generated industrial property rights and similar rights and values		49 336 828.55		52 048
b) Concessions, industrial property rights and similar rights and values including its licences against payment		54 837 329.97		43 131
total sum			104 174 158.52	95 179
10. Tangible assets			198 362 520.22	203 958
11. Other assets			1 516 543 711.67	1 453 234
12. Prepaid expenses				0
a) from new issue and lending business		448 590 170.17		389 982
b) other		498 291 863.68		547 284
total sum			946 882 033.85	937 266
Total assets			122 960 432 980.44	131 022 137

Liabilities side

Norddeutsche Landesbank Girozentrale

	€	€	€	2014 Tsd €
1. Liabilities to banks				
a) issued registered mortgage Pfandbriefe		0,00		15 308
b) issued registered public sector Pfandbriefe		649 124 828.02		1 036 737
c) Other liabilities		32 465 186 032.11		39 307 052
			33 114 310 860.13	40 359 097
of which:				
Due on demand _____ €	4 638 351 445.23			(5 984 539)
ensuring loans taken up registered mortgage Pfandbriefe transferred to lender _____ €	0,00			(0)
and registered public sector Pfandbriefe _____ €	75 597 449.34			(116 594)
2. Liabilities to customers				
a) issued registered mortgage Pfandbriefe		996 308 132.31		785 988
b) issued registered public sector Pfandbriefe		8 244 026 097.77		9 094 931
c) Savings deposits				
ca) with an agreed notice period more than three months	1 105 523 918.21			1 453 841
cb) with an agreed notice period more than three months	28 425 650.12			71 097
		1 133 949 568.33		1 524 938
d) Other liabilities		32 642 476 849.44		28 740 126
			43 016 760 647.85	40 145 983
of which:				
Due on demand _____ €	16 050 053 730.58			(12 253 684)
ensuring loans taken up registered mortgage Pfandbriefe transferred to lender _____ €	0,00			(0)
and registered public sector Pfandbriefe _____ €	0,00			(0)
3. Securitised liabilities				
a) Issued debt securities				
aa) mortgage Pfandbriefe	2 216 254 889.40			2 216 447
ab) public sector Pfandbriefe	8 129 188 630.97			7 694 013
ac) other debentures	11 585 965 590.11			14 318 341
		21 931 409 110,48		24 228 801
b) Other securitised liabilities		- 445 099 507.71		399 197
			22 376 508 618.19	24 627 998
of which:				
money-market instruments _____ €	362 205 557.82			(316 178)
3a. Trading portfolio			4 864 813 982.26	5 927 076
4. Liabilities held in trust			4 184 295 030.29	4 450 467
of which:				
loans on a trust basis _____ €	4 184 295 030.29			(4 450 467)
5. Other liabilities			3 559 879 712.15	2 608 316
Amount carried forward			111 116 568 850.87	118 118 938

Balance sheet as at 31 December 2015

Liabilities side

	€	€	€	2014 Tsd €
Amount carried forward			111 116 568 850.87	118 118 938
6. Deferred income				
a) from new issue and lending business		459 418 070.41		462 515
b) other		283 998 001.24		340 917
			743 416 071.65	803 432
7. Provisions				
a) Provisions for pensions and similar obligations		441 121 723.82		960 121
b) Tax provisions		118 914 277.57		75 231
c) Other provisions		443 474 029.88		457 061
			1 003 510 031.27	1 492 413
8. Subordinated liabilities			2 435 489 014.88	2 817 573
9. Participatory capital			60 000 000.00	95 000
of which: there of falling due in less than two years _____ € 60 000 000.00				(95 000)
10. Funds for general banking risks			912 632 805.66	912 633
of which: special item for general banking risks in accordance with § 340e, para. 4 of the German Commercial Code _____ € 60 000 000.00				(60 000)
11. Equity				
a) Subscribed capital				
aa) Share capital	1 607 257 810.00			1 607 258
ab) Other Capital contributions	797 063 092.14			797 063
		2 404 320 902.14		2 404 321
b) Capital reserves				
ba) Other reserves	3 324 313 451.76			3 324 314
		3 324 313 451.76		3 324 314
c) Retained earnings		902 546 457.02		702 547
d) Profit shown on the balance sheet after appropriation to or transfer from reserves		57 635 395.19		350 968
			6 688 816 206.11	6 782 149
Total liabilities			122 960 432 980.44	131 022 137
1. Contingent liabilities				
a) Contingent liabilities under rediscounted bills of exchange		0.00		0
b) Liabilities from guarantees and other indemnity agreements		6 938 131 256.57		6 074 432
c) Liabilities from assets pledged as collateral for third-party liabilities		0.00		0
			6 938 131 256.57	6 074 432
2. Other obligations				
a) Repurchase obligations from non-genuine partial repurchase agreements		0.00		0
b) Placement and underwriting obligations		0.00		0
c) Irrevocable credit commitments		6 197 550 229.97		6 858 589
			6 197 550 229.97	6 858 589

Norddeutsche Landesbank Girozentrale

	€	€	€	2014 Tsd €
1. Interest income from				
a) Lending and money market transactions	2 366 211 487.20			2 474 589
b) Fixed-income and book entry securities	392 600 048.52			485 449
c) Current income from trading portfolio	978 242 048.49			888 652
		3 737 053 584.21		3 848 690
2. Negative Interest income from lending and money market transactions		6 229 973.75		606
3. Interest expenses		2 366 325 409.42		2 520 119
4. Positive interest expenses from lending and money market transactions		17 630 687.29		1 988
			1 382 128 888.33	1 329 953
5. Current income from				
a) Shares and other non fixed-interest securities		22 895 110.50		10 104
b) Participating interests		13 664 763.16		12 162
c) Shares in affiliated companies		30 220 890.04		33 108
			66 780 763.70	55 374
6. Income from profit pooling, profit transfer and partial profit transfer agreements			71 171 758.80	35 734
7. Commission income		286 929 543.58		234 224
8. Commission expenses		102 384 508.51		95 844
			184 545 035.07	138 380
9. Net income deriving from trading business			66 306 586.27	16 186
10. Other operating income			106 660 433.06	105 756
11. General administrative expenses				
a) Staff expenses				
aa) Wages and salaries	308 106 133.05			301 035
ab) Social security contributions and expenses for pension provision and other employee benefits	56 296 946.24			160 682
		364 403 079.29		461 716
of which: for pensions _____ €	4 847 885.88			(100 047)
b) Other administrative expenses		417 670 522.81		353 581
			782 073 602.10	815 298
12. Depreciations and write-downs of intangible assets			32 846 159.70	37 002
13. Other operating expenses			204 783 219.77	170 229
14. Write-downs of and value adjustments to claims and certain securities and allocations to loan loss provisions			681 544 741.06	472 356
Amount carried forward			176 345 742.60	186 499

Income statement for the period from 1 January to 31 December 2015

	€	€	€	2014 Tsd €
Amount carried forward			176 345 742.60	186 499
15. Earnings from write-ups to claims and certain securities and allocations to loan loss provisionsren			112 030 054.02	98 822
16. Expenses on assumption of losses			46 290 227.51	27 661
17. Profit on ordinary activities			242 085 569.11	257 660
18. Extraordinary income		0,00		0
19. Extraordinary expenses		25 470 351.01		54 332
20. Extraordinary result			- 25 470 351.01	- 54 332
21. Refund from income taxes		103 059 758.00		- 8 095
22. Refund from other taxes not show under item 13		4 379 597.70		3 917
			107 439 355.70	- 4 178
23. Income from profit pooling, profit transfer and partial profit transfer agreements			72 508 326.36	69 791
24. Annual profit			36 667 536.04	137 715
25. Earnings brought forward from the previous year			20 967 859.15	213 253
26. Profit			57 635 395.19	350 968

Appendix

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I. Information on Accounting Policies and Principles of Currency Translation

(In the following text the previous year's figures for the reporting year 2015 or 31 December 2014 are shown in brackets.)

Principles for the Preparation of the Annual Financial Statements

The Annual Financial Statements of Norddeutsche Landesbank Girozentrale Hannover, Braunschweig, Magdeburg, (NORD/LB) as at 31 December 2015 were prepared in accordance with the regulations of the German Commercial Code (*Handelsgesetzbuch*, HGB), the German Accounting Regulation for Credit and Financial Services Institutions (*Kreditinstituts-Rechnungslegungsverordnung* RechKredV) and the Covered Bond Act (*Pfandbriefgesetz*, PfandBG).

The layout of the balance sheet and the income statement is based on the RechKredV.

The balance sheet has been prepared in accordance with section 268 para. 1 of the German Commercial Code taking into account partial appropriation of the annual profit.

In 2012, against the background of the European Banking Authority's (EBA) tighter requirements concerning minimum Tier 1 common capital ratio for banks and the future Basel III requirements, NORD/LB agreed a capital-boosting programme with its owners. In order for key measures of this capital-boosting programme to be implemented in 2012, the measures needed to be reviewed and approved by the EU Commission on the basis of a restructuring plan submitted by NORD/LB.

Individual commitments by NORD/LB from this restructuring plan continued to have an effect in 2015. These include in particular an efficiency improvement programme, for which costs were again incurred in 2015 and which are reported under extraordinary expenses.

In 2015, the capital-boosting programme, which launched in 2012, moved into a phase of ongoing active management of risk-weighted assets and targeted measures for optimising the equity structure. In order to limit risk-weighted assets, in August 2015 NORD/LB increased a guarantee by private investors for parts of the credit portfolio that has been in place since 2014. The premium paid for this is reported under commission expenses. Two measures were introduced to optimise the equity structure. First, subordinated liabilities were included, and second silent participations hedged via exchange rates with a nominal amount of 500.0 Mio USD (translated 336.3 Mio €) were cancelled on 31 December 2015. The participations are due for repayment during the course of financial year 2016.

The management report contains further details on the capital measures performed in 2015.

Also in the reporting year 2015 NORD/LB acquired a tranche of subordinated bearer bonds of Bremer Landesbank Kreditanstalt Oldenburg, Bremen with a nominal value of 100.0 Mio €. From the perspective of the issuers, these essentially satisfy requirements for recognition as additional Tier-1 capital in the form of Tier-1 bonds. These are non-secured, subordinated liabilities with no final maturity. In the first five years they further include a fixed interest rate of 9.50%, followed by a variable interest phase. The issuer has the discretion to waive interest payments in part or in full. Any interest payments that are not paid will not be paid at a later date. The waiver of an interest payment does not entitle NORD/LB to terminate the debt securities. The debt securities may only be terminated by the issuer in whole, though not in

part, subject to the prior approval of the responsible regulatory authority, for the first time on 29 June 2021 and thereafter on any interest payment date and paid back in their repayment amount plus interest accrued up to the repayment date. The debt securities may be terminated under certain circumstances at any time due to regulatory or tax reasons. The repayment and nominal amount of the bond may be reduced if a triggering event occurs. Such a triggering event occurs if the Common Equity Tier 1 capital ratio of the issuing Group company (the “Common Equity Tier 1 capital ratio”) falls below 5.125% (the minimum CET1 ratio). The triggering event may occur at any time and the relevant Common Equity Tier 1 capital ratio will be calculated not only in relation to specific reference dates. After a write-down has been effected, the nominal amount and the repayment amount of the debt security can be written up again in each of the financial years following the write-down up to the full amount of the original nominal amount (providing it has not previously been paid back or purchased and cancelled), providing there is an appropriate annual profit and therefore an annual loss is not incurred or increased.

The subordinated bearer bonds are reported under the item “Debt securities and other fixed-interest securities from other issuers”. The same applies to the deferred interest of the subscribed bond. NORD/LB reports the interest income under the item “Interest income from fixed-interest securities and debt register claims”.

In the reporting year 2015 104 Tsd € was received from NORD L/B for the AT1 bond.

Accounting

Policies – Trading Portfolio

Financial instruments in the trading portfolio are valued in accordance with § 340e para. 3 clause 1 of the German Commercial Code at fair value less a risk premium. The change in fair value compared to the previous balance sheet date or com-

pared to the acquisition cost, the valuation result, is recorded under the item net income or net expenses of the trading portfolio. Expenses relating to the allocation to the special item in accordance with § 340e para. 4 of the German Commercial Code are not reported under net income or net expenses of the trading portfolio, but under the item “expenses relating to the allocation to the funds for general banking risks”. As regards the calculation of the fair values, the chapter “Calculation of fair values” is referred to.

The current interest income and expenses relating to trading transactions are shown under interest income. Dividend income from trading transactions is recorded under the item “current income from shares and other variable-yield securities”.

As there is currently no difference in terms of balance between the trading portfolio reported in the balance sheet and the regulatory trading book, NORD/LB has used the Value-at-Risk (VaR) calculated for regulatory purposes directly as a risk premium in terms of § 340e para. 3 clause 1 of the German Commercial Code, i.e. it has deducted the VAR value calculated for regulatory purposes from trading assets. The method used to calculate the VAR is the historical simulation method.

The VaR parameters used in accordance with banking regulations, and which are therefore also relevant for reporting in accordance with commercial law, are:

- Use of a correlated VaR for the following risk types:
 - General interest-rate risk,
 - Specific interest-rate risk (issuer-specific credit spread risk, no default risk),
 - Currency risk,
 - Share-price risk,
 - Option-price risk;
- Confidence level: 99%;
- Holding period: 10 days;
- Monitoring period: 1 year.

The average rate is used for the valuation of the trading portfolio. The effects of the inclusion of counterparty-specific default risks for OTC derivatives are also reported. The bank also uses OIS discounting for the valuation of secured OTC derivatives where OIS discounting has developed at the current market standard.

Accounting Policies – Non-Trading Portfolio (Banking Book)

The cash reserve is reported at nominal value.

Loans and advances to customers and banks are reported at nominal value or at acquisition cost. If there are differences between the nominal values and the acquisition costs of mortgage loans and other loans and advances which are of an interest nature, the items are reported at nominal value in accordance with § 340e para. 2 of the German Commercial Code. The differences are reported under prepaid expenses and are liquidated in a scheduled write-back.

Sufficient consideration is given to identifiable risks in lending business by making specific valuation allowances and loan loss provisions. The provisions for country risks were calculated based on principles which have not changed. Appropriate lumpsum loan loss provisions have been made for other general credit risks. Lumpsum loan loss provisions are still calculated in accordance with the communiqués of the BFA 1/1990 and the BMF Circular of 10 January 1994.

Securities in the liquidity reserve are valued in accordance with the strict lower-of-cost-or-market principle. Securities in fixed assets are valued at acquisition cost in accordance with the mitigated lower-of-cost-or-market principle provided that they are not the subject of a likely permanent loss in value.

Structured products are broken down into their components (basic instrument and embedded derivatives) in accordance with IDW RS HFA 22

and reported separately. The relevant accounting methods are applied for the components. The separate derivatives are considered in the loss-free valuation of the banking book or included in valuation units. Structured products that are valued at fair value or in accordance with the strict lower-of-cost-or-market principle are not reported separately.

Option premiums and future-margin payments relating to transactions not yet due and pro-rata interest relating to interest rate swap transactions are reported under other assets or other liabilities; amounts relating to interest rate caps which have not yet been amortised and up-front amounts relating to interest rate swap transactions are included under prepaid expenses.

Credit default swaps (CDS) where the bank is the provider of security are treated in the balance sheet using the same procedure as for contingent assets and liabilities relating to sureties and guarantees. If it is expected that a CDS will be used, a provision is made. Earnings components relating to CDS where the bank is the provider of security are reported under commission income. If CDS were transacted to hedge securities (the bank is the provider of security), the hedge effect of the CDS is considered when assessing the write-down requirement for the security. The risk of a doubtful credit rating for the provider of security (the counterparty in the CDS contract) is to be considered separately; this is done using the same procedure as for a guarantee. Earnings components relating to CDS where the bank is the recipient of security are reported under interest income.

In cases in which risks from the non-trading portfolio are transferred to the trading portfolio, internal transactions are, like external transactions, considered under commercial law in accordance with the deputisation principle.

Investments and shares in affiliated companies are reported at acquisition cost or at the lower fair

value in the case of permanent impairment. If the reasons for unscheduled depreciation no longer exist, the value is written up to no more than the acquisition cost.

Property, plant and equipment are reported at acquisition cost and, if they have a finite useful life, are subject to scheduled depreciation. The useful life is based on the tax options. In the year under review unscheduled depreciation in accordance with § 253 para. 3 clause 3 of the German Commercial Code was incurred in the amount of 4.7 Mio €. Fixed assets with an acquisition cost of between 150 € and 1 000 € are capitalised under a collective item and depreciated at a flat rate of 20% per annum over five years. Low-value fixed assets with an acquisition cost of up to 150 € are written off completely in the year of acquisition in accordance with the procedure under tax law.

NORD/LB has made use of the option in accordance with § 248 para. 2 of the German Commercial Code and reported self-made intangible fixed assets. Here the external costs incurred during the development phase and internal development services are recognised. The useful life of self-made software is set at five years.

Purchased software is written down as scheduled over three years unless otherwise provided for contractually.

Where it is likely that a permanent loss in value has occurred, NORD/LB reduces the value with unscheduled depreciation. If the reasons for this no longer exist, the value is written up to no more than the amortised cost.

Liabilities to customers and banks are reported at their settlement values. The differences between borrowing and repayment amounts of an interest nature are reported under prepaid expenses and are liquidated according to schedule.

Zero bonds are reported at their market price when issued plus a mark-up for interest in line with the yield on their acquisition price.

Provisions are valued at the necessary settlement value based on reasonable commercial assessment. Provisions with a term of more than one year are discounted using the average market interest rate relevant for the residual term calculated and published by the Deutsche Bundesbank in accordance with the Provisions Discounting Regulation (*Rückstellungsabzinsungsverordnung, RückAbzinsV*). Income and expenses from the discounting of provisions are reported under other operating income and expenses. The effects of the change to the underlying discounting rates are also reported under other operating income and expenses. For the past financial year this will be applied for the first time to pension provisions based on an expert opinion. Exercising this option meant that 49.1 Mio € was not reported in staff expenses, but in other operating profit/loss.

Negative interest income and positive interest expenses are reported separately in the income statement for the first time. The negative interest income resulted from loans and advances to banks and loans and advances to customers (incl. repos). The positive interest expenditure resulted from liabilities to banks and liabilities to customers (incl. repos).

In the context of the new rules on the bank levy at European level, NORD/LB performed a reclassification of the annual contribution to the restructuring fund for banks in the amount of 35.4 Mio € (22.4 Mio €) from the other operating expenses to the other administrative expenses.

The bank makes use of the option to offset expenses and income in accordance with § 340 f para. 3 of the German Commercial Code.

Calculation of Fair Values

Fair values have to be calculated on the one hand for accounting purposes (valuation of derivative and non-derivative financial instruments in the trading portfolio at fair value) and on the other hand for disclosure purposes (disclosure of the fair value for derivative financial instruments in the non-trading portfolio). For both purposes the fair values are calculated in the same way as follows.

For financial instruments traded on an active market the fair value corresponds directly to the stock-exchange or market price, i.e. in this case no adjustments or present value calculations are

Valuation method	Application	Significant input parameters
Discounted Cashflow Method	Illiquid interest-bearing Securities	Swap curves, Credit rating information
	Credit Default Swaps	Swap curves, credit-spreads and where applicable credit rating information
	Interest-rate swaps, FRAs	Swap curves
	Securities forward contracts	Contract data, specific -securities forward prices, swap curves
Hull & White Model for Options	Interest-rate currency swaps, Forward exchange contracts transactions	Swap curves in the currencies exchanged, basic swap spreads, exchange rate
	Bermudan swaptions	Volatility of the underlying market price, risk-free interest rate, swap rate, mean reversion
Black-Scholes Model	FX options	Exchange rates, volatility of the underlying market price, risk-free interest rate for both currencies
	OTC share options (European)	Volatility of the underlying market price, risk-free interest rate, underlying (share), dividends
Barone-Adesi, Whaley-Model	OTC share FX-options (American)	FX-Rate, volatilities, riskfree interest rate
Normal Black Model	Caps and floors Swaptions Bond options	Exchange rates, volatility of the underlying market price, risk-free interest rate
CVA/DVA Add-On Method	All derivatives	Market value, internal ratings, propability of default, swap curves, netting and collateral information

The significant input parameters were reliably established for all of the trading transactions valued using the above-mentioned valuation methods; there were no cases at NORD/LB where it was not possible to calculate the fair value.

Accounting of Securities Lending

NORD/LB assigns the beneficial ownership in securities lending to the lender. The consequence of this is that lent securities remain in the balance sheet of NORD/LB and are valued in accordance

made to calculate the fair value. If publicly-listed stock-exchange prices are available, these are used; otherwise other price sources are used (e.g. prices quoted by market makers). Examples of financial instruments traded on an active market at NORD/LB are securities, options and futures traded on the stock exchange.

In all other cases the fair value is calculated using generally accepted valuation methods. The generally accepted valuation methods used by NORD/LB include in the area of derivative and non-derivative trading transactions the following methods:

with the valuation rules of the respective security category (they often concern securities in the trading portfolio). If NORD/LB borrows securities, the securities are not reported by NORD/LB as the economic benefit has not been assigned to it.

Pension Obligations

NORD/LB AöR has partly transferred the performance of the existing pension obligations to the Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V., Hanover, provident fund.

As a result of the change in entity responsible for performance, as at 31 December 2015 pension entitlements from direct and indirect commitments exist. NORD/LB's direct and indirect pension obligations are valued in accordance with the projected unit credit method. Using this method current pensions as at the balance sheet date and the part apportioned to the period of employment served to date, the defined benefit obligation, are valued. Increases which are expected in the future due to increases in salary or pension adjustments which are apportionable here are also considered. The defined benefit obligation is calculated by the expected future benefit (the settlement value in terms of § 253 para. 1 clause 2 of the German Commercial Code) being discounted in accordance with § 253 para. 2 of the German Commercial Code in effect on the balance sheet date with the average market interest rate for the previous seven years. In the process the simplification rule in accordance with § 253 para. 2 clause 2 of the German Commercial Code is used and the interest rate is set at a flat rate for a remaining term of 15 years.

As at 1 January 2015 the present value of the pension commitments pursuant to the German Act to Modernise Balance Sheet Law (BilMoG) was 1 155.2 Mio €. The difference resulting from the altered valuation of the pension commitments under BilMoG as at 1 January 2010 is 301 921 Tsd € for the registered public institute. To date, using the simplification rule in accordance with art. 67 para. 1st sentence 1 Introductory Act of the German Commercial Code (EGHGB), the difference was distributed over 15 years. As the change in entity responsible for performance means that the difference will only be distributed

for the direct pension commitments, the remaining distribution period is reduced from nine to two years. In 2015 the allocation was 19 086 Tsd € after taking into account repayments and was shown under extraordinary expenses. As at 31 December 2015 the as yet uncompensated difference for the direct commitments was 20 138 Tsd €. The first-time effect for the New York branch, however, was already recognised in full through profit and loss in 2010.

The provision for the bank in Germany was 440 625 Tsd € as at 31 December 2015. 262 273 Tsd € of the provision was attributable to the direct commitments. After a reduction following the initial allocation of the provident fund frozen direct commitments of 178 352 Tsd € are reported at their settlement values. These result from the negative balance (difference between the required settlement values of the pension commitments pursuant to § 253 para. 1 sentence 2, para. 2 HGB and the assets transferred to the provident fund) at the point of the transfer of responsibility for performance as no waiver of grounds for creating a provision under § 249 para. 2 sentence 2 HGB obtains. Accordingly, the change to the direct pension provisions are no longer reported through profit and loss; in particular in future changes to the discount rate will not have an effect on the balance sheet nor in fair value. The shortfall due to pension obligations not shown in the balance sheet under Art. 28 para. 2 EGHGB is 330 608 Tsd €.

When calculating the direct and indirect pension obligations the following assumptions were used for the bank in Germany:

	31 Dec.2015	31 Dec.2014
Interest rate	3.89%	4.54 %
Salary increases	2.00%	2.00 %
Pension increases	2.75%/2.87%/1.00%	2.75 %/2.87 %/1.00 %
Fluctuation	3.00%	3.00 %

NORD/LB's direct and indirect pension obligation was valued based on the "Richttafeln 2005 G" mortality tables published by Dr. Klaus Heubeck.

The New York branch has terminated on of the existing pension schemes. The terminated scheme covered benefit entitlements of 6.8 Mio €. The settlement value of the continuing scheme is, translated, 497 Tsd € (504 Tsd €).

For the indirect pension obligations of the London branch there was overcoverage of 809 Tsd € as at 31 December 2015.

Based on a service agreement, the employees of NORD/LB have the option of placing the credit balance of time credits and deferred remuneration in long-term working time credit accounts which are invested in a special fund by a trustee.

This is a securities-linked commitment, so that in accordance with § 253 para. 1 of the German Commercial Code the relevant provision is to be set in the amount of the fair value of the fund assets and netted with the cover assets.

As at 31 December 2015 the fair value of the special fund is 6.5 Mio € against an acquisition cost of 6.5 Mio €.

The expenses and income from the cover assets and the corresponding provisions are offset under other operating profit/loss.

Currency Translation

The currency translation takes place in the non-trading portfolio in accordance with the principles of § 256a in conjunction with § 340h of the German Commercial Code ("special cover") and the statement made by the "Bankenfachausschuss" (Banking Committee) of the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany) (IDW RS BFA 4), as the bank controls currency risk via separate currency positions and carries the individual currency items in the cur-

rency positions. The special cover comprises all assets, liabilities and pending transactions which are not allocated to the trading portfolio, are financial instruments and are in a foreign currency.

The assets and liabilities and the valuation of forward foreign exchange transactions and spot exchange transactions which have not yet been completed are translated using the average spot exchange rate (ECB reference exchange rate) or rates from other reliable sources on the balance sheet date.

For futures transactions in the non-trading portfolio, the pro-rata, swap mark-ups/mark-downs which have not yet been amortised are valued at the current swap rates for the remaining term of the transactions (valuation of the remaining positions).

The results from the valuation of the remaining positions are added by currency; losses are deducted. Any remaining positive results, such as unrealised profits from open items, are not considered.

For financial instruments in the trading portfolio the currency translation takes place in accordance with the relevant accounting policies. The results of the currency translations are reported under the item net income or net expenses of the trading portfolio.

The results of currency translations for financial instruments in the non-trading portfolio are reported net under other operating income.

Overall the value of NORD/LB's assets and liabilities in foreign currencies totals 44 932.6 Mio € (43 685.3 Mio €) and 44 821.2 Mio € (41 968.4 Mio €) respectively.

The base currency for the reporting of the foreign branches in London, Shanghai and Singapore is the euro. However, the base currency for the New

York branch is the US dollar. All transactions are posted in their original currency. Assets, liabilities and off-balance-sheet transactions are translated into the base currency using the respective ECB reference rate on the balance sheet date. Expenses and income in foreign currency are translated daily into the base currency using the ECB reference rate. The balance sheet and income statement of the New York branch are converted from the based currency of the US dollar into euros using the ECB reference rate on the balance sheet date.

Formation and Accounting of Valuation Units

At NORD/LB in the following cases economic hedging transactions are shown in the balance sheet by forming valuation units:

- Individual-transaction-specific interest hedges of fixed-interest securities in the liquidity reserve with interest rate swaps (894 946 Tsd €; previous year: 1 065 264 Tsd €);
- Individual-transaction-specific hedges of the underlying share price or currency exchange rate risks of certain structured issues with share-price or currency-exchange-rate-specific derivatives (218 777 Tsd €; previous year: 347 562 Tsd €);
- Individual-transaction-specific hedge of the currency risk of the pending repayment of a hybrid capital bond issued in USD with a currency swap (459 263 Tsd €; previous year: 411 828 Tsd €);
- Individual-transaction-specific passing on of inflation risk hedged against customers to the market (147 805 Tsd €; previous year: 145 957 Tsd €).
- In addition to the above-mentioned hedging relationships shown as valuation units, there are the following economic hedging transac-

tions which are not shown in the balance sheet by forming valuation units, but by the measures below:

- Currency hedges in the banking book. The economic hedging relationship is presented in the balance sheet by the translation of the foreign-currency assets, foreign-currency liabilities and pending currency transactions in accordance with § 256a in conjunction with § 340h of the German Commercial Code.
- Hedging of general interest rate risk in the banking book within the scope of asset/liability management (Overall Bank Management).

The economic control relationship is taken into account when assessing whether the requirements for loss-free valuation in the banking book have been complied with by considering all of the interest-bearing banking book assets and liabilities and all interest derivatives in the banking book.

- Hedging of the default risk relating to banking book assets with CDS contracts. The economic hedging relationship is presented in the balance sheet by the hedge effect of the CDS contracts being considered in the calculation of the revaluation requirement for the hedged assets like a loan security.

Where valuation units are formed, at NORD/LB the net hedge presentation method is used.

Loss-free Valuation of Interest-rate-based Transactions in the Banking Book (Interest Book)

Interest-rate-based financial instruments in the banking book (interest book) are subject to a loss-free valuation in accordance with IDW RS BFA 3. If the value of the payment obligation from the interest-bearing transaction is greater than the value of the counterperformance, a provision for anticipated loss in the amount of the net liability is to be made.

In the present value approach, NORD/LB compares the cash flows, discounted as at the balance sheet date, of all on-balance-sheet and off-balance-sheet interest-rate-based financial instruments not in the trading portfolio with their carrying amounts taking into account the expected funding, risk and administrative expenses. As at the balance sheet date there is no net liability.

II. Disclosures and Notes to the Balance Sheet and Income Statement

The notes below concerning the individual items of the balance sheet and income statement appear in the order that the items are reported:

Notes to the Balance Sheet

(in € 000)	31 Dec.2015	31 Dec.2014
2. Claims on banks		
with a residual term of		
Due on demand	4 339 967	3 828 852
less than 3 months	5 242 321	5 020 662
more than 3 months but less than 1 year	1 665 541	4 119 734
more than 1 year less than 5 years	4 848 199	5 363 735
more than 5 years	4 765 954	5 933 330
Balance sheet value	20 861 982	24 266 313
of which		
Claims on affiliated companies	4 555 322	5 131 771
Claims on companies in which an equity investment exists	306 220	344 421
Subordinated receivables	697 544	685 695
Used to cover old stock	112 083	471 723
The full amount of receivables from banks includes:		
Claims on affiliated savings banks	5 305 797	5 608 943
3. Claims on customers		
with a residual term of		
less than 3 months	5 269 783	5 288 860
more than 3 months but less than 1 year	3 524 725	3 101 170
more than 1 year less than 5 years	15 858 285	15 762 341
more than 5 years	34 301 968	33 952 908
Balance sheet value	58 954 761	58 105 279
of which		
Claims on affiliated companies	555 377	598 175
Claims on companies in which an equity investment exists	338 744	335 999
Subordinated receivables	25 220	38 393
Used to cover old stock	1 657 062	1 914 159
With an indefinite term	1 479 087	1 849 875
4. Debt securities and other fixed-interest securities		
a) Money-market instruments		
aa) Issued by public sector issuers		
Balance sheet value	13 269	12 753
of which		
due in the following year	13 269	12 753
marketable and listed money-market instruments	-	-
marketable and unlisted money-market instruments	13 269	12 753

Assets

(in € 000)	31 Dec.2015	31 Dec.2014
ab) Issued by other issuers		
Balance sheet value	173 469	12 355
of which		
due in the following year	173 469	12 355
marketable and listed money-market instruments	-	-
marketable and unlisted money-market instruments	-	-
Affiliated company securities	-	-
Affiliated company securities in which an equity investment exists	-	-
Subordinated debt securities	-	-
b) Bonds and debt securities		
ba) Issued by public sector issuers		
Balance sheet value	7 852 408	8 588 013
of which		
due in the following year	1 893 490	2 254 401
marketable and listed money-market instruments	7 761 992	8 546 400
marketable and unlisted money-market instruments	110 774	41 613
Used to cover old stock	-	448 150
bb) Issued by other issuers		
Balance sheet value	13 084 654	17 031 302
of which		
due in the following year	2 630 482	6 648 006
marketable and listed money-market instruments	12 780 230	16 305 371
marketable and unlisted money-market instruments	304 424	725 931
Affiliated company securities	3 522 586	2 860 428
Subordinated debt securities	881 009	495 399
c) Debt securities, issued by the institution itself		
Balance sheet value	179 020	217 255
of which		
due in the following year	158 963	134 722
marketable and listed money-market instruments	179 020	217 255
marketable non listed money-market instruments	-	-
5. Shares and other non fixed-interest securities		
Balance sheet value	1 249 345	1 249 697
of which		
marketable and listed shares and other non fixed-interest securities	-	291
5a. Trading portfolio		
Balance sheet value	10 866 727	11 515 629
of which		
Derivative financial instruments	5 979 093	5 941 423
Claims	2 734 405	2 222 255
Debt securities and other fixed-interest securities	1 998 379	3 206 527
Shares and other non fixed-interest securities	167 071	152 783
Risk discount	- 12 221	- 7 359

Assets

(in € 000)	31 Dec.2015	31 Dec.2014
6. Participations		
Balance sheet value	103 631	138 628
of which		
Marketable unlisted shares	4 769	10 836
The equity holding is shown in III. Paragraph 10		
7. Investments in affiliated companies		
Balance sheet value	2 085 088	1 967 565
of which		
Marketable unlisted shares	1 087 023	1 055 373
The equity holding is shown in III. Paragraph 10		
8. Assets held in trust		
Balance sheet value	4 184 295	4 450 467
of which		
Claims on banks	575 166	596 313
Claims on customers	3 609 129	3 854 154
9. Intangible assets		
Balance sheet value	104 174	95 180
of which		
internally generated software ¹⁾	49 337	52 048
10. Tangible assets		
Balance sheet value	198 363	203 958
of which		
Own used land and buildings	164 045	165 799
Operating and office equipment	34 317	38 159
12. Other assets		
Balance sheet value	1 516 544	1 453 234
of which		
The following are reported as significant items:		
Option premiums and margins	648 560	713 269
Interest and interest due from interest-rate swaps	513 480	555 216
Balancing item from currency valuation	140 930	20 048
Claims against fiscal authorities	133 142	99 565
Reported assets on interim accounts	27 966	43 920
Pro rata interest claims from flat-traded securities of the trading portfolio	17 523	12 343
Due debentures	20 358	-
13. Deferred expenses and accrued income		
Balance sheet value	946 882	937 266
of which		
deferred premiums in accordance with § 340e Paragraph 2 HGB	363 429	318 686
discounts and maturing premiums	85 222	71 296

¹⁾ In the reporting year 2015 development costs in the amount of 11.4 Mio € (15.4 Mio €) were incurred for the development of software; there were no costs for research.

Assets

The table below shows the changes to fixed assets:

	Acquisition/ manufacturing cost	Additions	Disposals	Accumulative depreciation	Balance sheet value	Balance sheet value	Depreciation for the accounting- period
(in € 000)					31 Dec. 2015	31 Dec. 2014	
Intangible assets	212 540	27 979	26	136 319	104 174	95 180	18 899
internally generated industrial property rights and similar rights and values	103 915	11 399	–	65 977	49 337	52 048	14 068
Concessions, industrial property rights and similar rights and values including its licences against payment	108 625	16 580	26	70 342	54 837	43 131	4 830
Tangible assets	469 204	10 029	46 992	232 878	198 363	203 958	13 948
land and buildings	233 527	3 678	2 735	70 425	164 045	165 799	4 695
Operating and office equipment	235 676	6 352	44 257	163 454	34 317	38 159	9 252
		Change ¹⁾					
Participating interests			– 34 997		103 631	138 628	
Investments in affiliated companies					2 085 088	1 967 565	
Securities in fixed assets			– 6 229 632		3 279 611	9 509 243	
of which:							
Bonds and debt securities			– 6 229 632		3 279 611	9 509 243	
Shares					–	–	

¹⁾ The summary provided for under § 34 para. 3 German Accounting Regulation for Credit and Financial Services Institutions (RechKredV) was utilised.

Liabilities

(in € 000)	31 Dec.2015	31 Dec.2014
1. Liabilities to banks		
a) Due on demand		
Balance sheet value	4 638 351	5 984 539
of which		
Liabilities to affiliated companies	268 492	176 356
b) With an agreed term or notice period		
of which with a residual term of		
less than 3 months	12 595 188	17 066 567
more than 3 months but less than 1 year	4 507 466	4 506 169
more than 1 year but less than 5 years	4 342 526	4 226 536
more than 5 years	7 030 779	8 575 286
Balance sheet value	28 475 959	34 374 558
of which		
Liabilities to affiliated companies	519 352	339 379
Liabilities to companies in which an equity investment exists	255 188	306 824
Assets pledged as collateral ¹⁾	9 072 173	14 685 728
The full amount of bank loans and overdrafts includes:		
Liabilities to affiliated savings banks	2 909 549	2 739 273
2. Liabilities to customers		
a) Savings deposits		
aa) with an agreed notice period of three months		
Balance sheet value	1 105 524	1 453 841
ab) Savings deposits with an agreed notice period of more than three months		
of which with a residual term of		
less than 3 months	5 886	42 759
more than 3 months but less than 1 year	6 524	10 083
more than 1 year but less than 5 years	15 076	16 893
more than 5 years	940	1 362
Balance sheet value	28 426	71 097
b) Other liabilities		
ba) Due on demand		
Balance sheet value	16 050 054	12 253 684
of which		
Liabilities to affiliated companies	216 065	65 103
Liabilities to companies in which an equity investment exists	108 325	151 328

¹⁾ Collateral has been provided for borrowing undertaken within the scope of genuine repos. Collateral has also been provided for refinancing funds for specific purposes and open market transactions to the Deutsche Bundesbank.

Liabilities

(in € 000)	31 Dec.2015	31 Dec.2014
bb) With an agreed term or notice period		
of which with a residual term of		
less than 3 months	6 021 630	8 429 157
more than 3 months but less than 1 year	4 483 267	3 030 639
more than 1 year but less than 5 years	4 249 759	3 996 256
more than 5 years	11 078 102	10 911 309
Balance sheet value	25 832 757	26 367 361
of which		
Liabilities to affiliated companies	1 194	116 979
Liabilities to companies in which an equity investment exists	324 287	313 752
Assets assigned as collateral	116 798	177 267
3. Securitised liabilities		
a) Issued debt securities		
Balance sheet value	21 931 409	24 228 801
of which		
Due in the following year	4 568 034	8 822 723
Liabilities to affiliated companies	1 006 523	1 401 127
Liabilities to companies in which an equity investment exists	36 128	67 502
b) Other securitised liabilities		
of which with a residual term of		
less than 3 months	177 876	233 571
more than 3 months but less than 1 year	184 329	83 328
more than 1 year but less than 5 years	10 453	1 648
more than 5 years	72 441	80 650
Balance sheet value	445 100	399 197
3a. Trading portfolio		
Balance sheet value	4 864 814	5 927 076
of which		
Derivative financial instruments	4 852 545	5 804 870
Liabilities (for short-term securities)	12 269	122 206
4. Liabilities held in trust		
Balance sheet value	4 184 295	4 450 467
of which		
Liabilities to banks ¹⁾	1 519 688	1 599 613
Liabilities to customers	2 664 607	2 850 854

¹⁾ Including the equity of Investitionsbank Sachsen-Anhalt in the amount of 150.9 Mio €.

Liabilities

(in € 000)	31 Dec.2015	31 Dec.2014
5. Other liabilities		
Balance sheet value	3 559 880	2 608 316
of which		
reported as significant items:		
Balancing item from currency valuation	2 619 699	1 609 136
Countervalues for outstanding securities purchases	417 332	457 275
Interest payable and accrued interest from swaps	313 534	364 177
Interest payable from profit participation rights, subordinated liabilities and capital contributions	111 293	113 440
Outstanding items on interim accounts, not classified	52 857	36 775
Trade payables	25 701	16 779
Liabilities to tax authorities	14 509	-
6. Deferred income		
Balance sheet value	743 416	803 432
of which		
Separation of premiums from issuing and loan business	427 669	421 937
Deferred discounts in accordance with § 340e Paragraph 2 HGB	31 964	40 887
7. Provisions		
NORD/LB forms provisions for pensions and similar duties, tax provisions and other provisions for uncertain liabilities.		
Basically the following items are shown under other provisions:		
Provisions for uncertain liabilities		
Staff expenses – other	205 336	187 166
Risks from lending business	64 024	84 762
Staff expenses – reorganisation provisions (efficiency improvement programme)	61 549	73 098
Legal risks	40 288	36 400
Other	72 277	75 635
8. Subordinated liabilities		
Balance sheet value	2 435 489	2 817 573
of which		
due within five years in accordance with the CRR	854 970	1 410 245

NORD/LB's interest expenses for reported liabilities were 149 781 Tsd € (143 698 Tsd €).
The following subordinated liabilities exceed 10% of the total amount:

Currency amount	Interest rate	Due on
€ 350 million	6.00 % p.a.	29 Jun.2020
USD 500 million	6.25 % p.a.	10 Apr.2024

An early repayment obligation only exists if a change in taxation results in additional payments to the transferee.

The conditions for the subordination of these funds comply with the statutory provisions. The conversion of these funds into capital or any other form of debt has not been agreed and is not planned.

(in € 000)	31 Dec.2015	31 Dec.2014
10. Participatory capital		
Balance sheet value	60 000	95 000
of which		
due within five years in accordance with the CRR	60 000	95 000

All tranches of the participatory capital issued by NORD/LB are due within the next 5 years and therefore meet the requirements of Article 64 of the CRR. Of this participatory capital, NORD/LB can include an amount of 0.0 Mio € (12.0 Mio €) as regulatory supplementary capital.

11. Equity

The balance sheet profit includes the profit carried forward from the previous year in the amount of 2 0967 859.15 €.

Of the previous year's balance sheet profit of € 350.9 million, in accordance with the resolution of the Owners' Meeting € 200.0 million was allocated to retained earnings.

Silent participations hedged via exchange rates with a nominal amount of 500.0 Mio USD (translated 336.3 Mio €) were cancelled as at 31 December 2015. The participations are due for repayment during the course of financial year 2016.

In 2014 NORD/LB continued its measures for optimising equity. To that end the special purpose entities Fürstenberg Capital Erste GmbH and Fürstenberg Capital II GmbH bought back the capital notes held by NORD/LB that they had issued to refinance silent participations at NORD/LB and withdrew them. At the same time silent participations held were cancelled in the same amount.

1. Contingent liabilities

Under contingent liabilities there are as at 31 December 2015 nine significant liabilities relating to sureties and guarantees from the lending business. The individual values range from 70.7 Mio € to 177.2 Mio €.

NORD/LB's maximum liability to customers from guarantees is 5 326.5 Mio € and from letters of credit 154.2 Mio €.

The risk of the contingent liabilities being used is considered to be low as the liabilities are ranked and monitored on a credit-related basis. Risk provisioning in the amount of 53.5 Mio € (57.1 Mio €) has been allocated.

2. Other obligations

Irrevocable credit commitments in the reporting year 2015 are broken down as follows:

Commercial enterprises	5 703 657 Tsd €
Banks	336 966 Tsd €
Public authorities	82 937 Tsd €
Private persons	81 407 Tsd €

As at 31 December 2015 other liabilities include significant irrevocable credit commitments, the individual values of which range from 55.2 Mio € to 190.0 Mio €.

Based on credit rating analyses, credit-related ranking and monitoring of other liabilities that have been conducted, it is largely expected that the borrowers will meet their obligations. Risks may arise from a drop in the customers' credit ratings, for which an appropriate provision has been made. The provision is 7.4 Mio € (23.7 Mio €).

3. Hard Comfort Letters

NORD/LB ensures that the following companies are able to meet their obligations:

- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover
- NIEBA GmbH, Hanover
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxembourg
- NORD/LB Asset Management Holding GmbH, Hanover
- Skandifinanz AG, Zurich/Switzerland

Notes to the Income Statement

The total balance of the income statement items 1., 4., 5., 7., 9. and 10 is spread across the following regions:

	Federal Republic of Germany	Europe (excl. of Federal Republic of Germany)	North America	Asia	Total
(in € 000)					
1. Net interest income	3 440 806 (3 561 789)	90 473 (90 968)	113 623 (101 986)	92 152 (93 341)	3 737 054 (3 848 084)
4. Positive Interest from Lending and money market transactions	17 631 (1 988)	- (-)	- (-)	- (-)	17 631 (1 988)
5. Current income	66 781 (55 374)	- (0)	- (-)	- (-)	66 781 (55 374)
7. Net commission income	230 008 (182 934)	13 689 (12 036)	29 008 (28 310)	14 224 (10 944)	286 930 (234 224)
9. Net profit of trading portfolio	68 021 (20 764)	- 71 (260)	-4 098 (- 7 004)	2 455 (2 166)	66 307 (16 186)
10. Other operating income	106 282 (103 238)	53 (1 625)	197 (541)	129 (-352)	106 660 (105 756)
Income statement items	3 929 529 (3 926 087)	104 144 (104 889)	138 730 (123 833)	108 959 (106 803)	4 281 362 (4 261 612)

(in € 000)	31 Dec.2015	31 Dec.2014
7. Net profit/loss of trading portfolio		
The following are reported as material items:		
Net income from securities	18 066	156 750
Net expenditure from securities	-	-
Net income from loans	68 348	161 061
Net expenditure from loans	-	-
Net income from derivatives	156 235	-
Net expenditure from derivatives	-	- 328 130
Income from the change in value at risk reduction	-	-
Expense from the change in the Value at Risk deduction	- 4 862	- 4 026

In the previous year the net result includes an amount of 15 000 Tsd € from the reversal of the special item in accordance with § 340e para. 2 clause 4 no. 4 of the German Commercial Code.

8. Other operating income		
The following are reported as material items:		
Reversal of provisions	27 461	30 172
Income from the resale of hardware, software and services	13 602	13 925
Income from credit spread based discounts for loan purchases	11 366	-
Profit from hedge derivatives of own issues	7 814	1 490
IT services for third parties	5 498	5 106
Income from rents	4 813	5 863
Foreign exchange of investment book	4 635	4 137
Interest income from tax refunds	3 473	71
Offsetting of services with promotion institutes	2 685	4 724
Income from repayments	-	23 501
11. Other operating expenses		
The following are reported as material items:		
Price losses from redemption of promissory notes and registered bonds	73 793	55 266
Interest expenses from the valuation of provisions	69 699	56 284
Expenses for the resale of hardware, software and services purchased	14 965	13 906
Expenses for KSN services	12 272	12 151
Allocation to provisions for recourse risks	5 760	5 532
Book losses from disposal of property and equipment	1 329	78
Expenses for losses resulting from operational risks	1 159	502
Concession fee for BLSK	1 100	1 100
Interest expenses for payments of tax arrears	1 041	1 673
Payments to the restructuring fund for banks ¹⁾	-	22 410
18. Extraordinary expenses		

Extraordinary expenses include the transition effects of the valuation of provisions in the amount of 19.1 Mio € (18.7 Mio €) as a result of the implementation of the German Accounting Law Modernisation Act (BilMoG) and reorganisation expenses in the amount of 6.4 Mio € (35.6 Mio €). These mainly concern employee-related expenses for measures to reduce staff expenses as part of the efficiency-improvement programme.

¹⁾ The expense for the European bank levy is recycled in the administrative expenses.

Other Financial Obligations

In accordance with the Restructuring Fund Regulation (*Restrukturierungsfonds-Verordnung*, RstruktFV), NORD/LB has to pay a bank levy. On 1 January 2015 the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 with regard to ex ante contributions to resolution financing arrangements entered into force. The regulation supplements the Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU).

As a member of the bank-related security reserve for landesbanks which belongs to the S-Finanzgruppe security, NORD/LB is obliged to pay annual contributions. The obligations to make contributions until 2024 and any obligations to make additional payments represent a risk to our financial position as defined at § 285 no. 3 HGB.

For the reporting year an annual contribution of 16.9 Mio € will be due which will be reported in other administrative expenses.

NORD/LB furthermore vouches for the obligations of the Sparkassenverband Niedersachsen (Association of the Savings Banks of Lower Saxony) resulting from its membership in the Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Girobanks) and the DekaBank Deutsche Girozentrale. In addition joint liability has been assumed for DekaBank Deutsche Girozentrale with the other shareholders of this bank for legacy liabilities established prior to 18 July 2005 within the scope of the guarantor function.

Furthermore NORD/LB is, alongside the state of Bremen, guarantor of Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen, and, together with Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG, also acts as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

NORD/LB has a 100% holding in Deutsche Hypothekbank (Actien-Gesellschaft). It is obliged to reimburse Deutscher Sparkassen- und Giroverband e. V. as the guarantor of the security reserve for landesbanks and giro centres all expenditure including interest and interest lost for supporting measures which cannot be paid from the fund established for Deutsche Hypothekbank (Actien-Gesellschaft) in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V. and Deutsche Hypothekbank (Actien-Gesellschaft) on 19 December 2008.

NORD/LB had undertaken to release the Bundesverband deutscher Banken e.V. (Association of German Banks) from all losses which were a result of the measures in accordance with § 2 paragraph 2 of the statute of the "Einlagensicherungsfond" (deposit protection fund) for the Deutsche Hypothekbank (Actien-Gesellschaft). The participation of Deutsche Hypothekbank (Actien-Gesellschaft) in the German banks' deposit protection fund was terminated as at 31 December 2008. In accordance with § 6 no. 8 of the statute of the deposit protection fund NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekbank (Actien-Gesellschaft).

With regard to NORD KB Beteiligungsgesellschaft mbH and NORD KB Dachfonds II Beteiligungsgesellschaft mbH, NORD/LB has an obligation to grant partnership loans totalling approximately 2.5 Mio € (2.9 Mio €).

NORD/LB also holds an interest with other limited partners in Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. Objekt Zietenterrassen KG. One limited partner has indemnified the general partner from liability. In the internal relationship NORD/LB assumes 50% of the possible obligations from this declaration of liability.

In accordance with its legal form, NORD/LB is liable without limitation to the creditors of GLB GmbH & Co. OHG. All of the shareholders are either legal entities under public law (landesbanks) or companies under private law in which the majority of the shareholding is held directly or indirectly by entities under public law. Following the sale and transfer of the direct holding and atypical silent participation in DekaBank in 2011, the company no longer actively pursues any business activity. There are no significant material risks relating to the final accounting of profit shares due from previous years following the final approval of DekaBank's tax assessments.

NORD/LB has, together with the other limited partner Braunschweig Grund Objektgesellschaft Driebergen mbH & Co. KG, indemnified the general partner from liability.

With regard to the inclusion of the shares in FinanzIT GmbH, the withdrawing partners NORD/LB, Bremer Landesbank and Landesbank Saar have committed, together with the remaining partners of FinanzIT, to bear the risks of the company from the time up to their withdrawal, provided they have actually occurred and are not already covered by provisions which have already been made.

Call-in obligations for shares and other interests amounted to 22.6 Mio € (17.4 Mio €) at year end.

In the course of normal business activities NORD/LB has provided security in the nominal amount of 562.2 Mio € (1 394.0 Mio €) in the form of securities.

NORD/LB has, in order to ease the pressure on regulatory equity, transferred part of the credit risk of a credit portfolio defined precisely by a finance guarantee ("Northvest") to an external third party. The finance guarantee will result in a financial burden with charges in the amount of 53.0 Mio € (40.0 Mio €) in 2016. In the next few

years the fees will fall steadily until the guarantee ends in 2024.

NORD/LB has concluded a framework contract with Wincor Nixdorf International GmbH, Paderborn, to regulate the collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, commenced with effect of 1 July 2013 and will run to a fixed term of 30 June 2020. The annual costs are volume-dependent; the value of the contract over the entire term is approx. 77.8 Mio € (150.0 Mio €).

NORD/LB has obligations from long-term rental and lease agreements for land and buildings to 2044 in the nominal amount of 394.1 Mio € (401.5 Mio €), of which 268.1 Mio € (275.0 Mio €) towards affiliated companies.

III. Other Disclosures

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman) Eckhard Forst

Ulrike Brouzi Dr. Hinrich Holm

Thomas Bürkle Christoph Schulz

2. Members of the Supervisory Board

Peter-Jürgen Schneider (Chairman)
Finance Minister of Lower Saxony Frank Klingebiel
Mayor of Salzgitter

Thomas Mang (First Deputy Chairman)
President of Sparkassenverband Niedersachsen Prof. Dr. Susanne Knorre
Management Consultant

Jens Bullerjahn (Second Deputy Chairman)
Finance Minister of Saxony-Anhalt Ulrich Mädge
Mayor of the Hanseatic City of Lüneburg

Frank Berg Ludwig Momann
Chairman of the Managing Board Chairman of the Managing Board
Ostsee Sparkasse Rostock Sparkasse Emsland
(since 1 January 2016)

Norbert Dierkes Heinrich von Nathusius
Chairman of the Managing Board IFA ROTORION - Holding GmbH
Sparkasse Jerichower Land (until 31 October 2015)

Edda Döpke Felix von Nathusius
Bank employee Chairman of the Managing Board
NORD/LB Hanover IFA ROTORION - Holding GmbH
(since 1 November 2015)

Ralf Dörries Antje Niewisch-Lennartz
Bank department head Justice Minister of Lower Saxony
NORD/LB Hanover

Dr. Elke Eller Freddy Pedersen
Head of HR and Director of Human Resources at ver.di Trade Union
TUI AG

Hans-Heinrich Hahne Jörg Reinbrecht
Chairman of the Managing Board ver.di Trade Union
Sparkasse Schaumburg

(until 31 December 2015) Ilse Thonagel
Bank employee, Landesförderinstitut
Mecklenburg-Vorpommern

Frank Hildebrandt
Bank employee
NORD/LB Braunschweig

3. Disclosures concerning Mandates

As at 31 December 2015 the following mandates were held in accordance with § 340a para. 4 no. 1 of the German Commercial Code by members of NORD/LB:

Name	Society ¹⁾
Dr. Gunter Dunkel	Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg NORD/LB Vermögensmanagement S.A., Luxemburg-Findel Continental AG, Hannover
Ulrike Brouzi	Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg NORD/LB Asset Management, Hannover Salzgitter AG Stahl und Technologie, Salzgitter
Thomas Bürkle	Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg LHI Leasing GmbH, Pullach
Eckhard Forst	Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co., Bremen LHI Leasing GmbH, Pullach
Dr. Hinrich Holm	NORD/LB Asset Management, Hannover Investitionsbank Sachsen-Anhalt, Magdeburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin und Hannover Lotto-Toto GmbH Sachsen-Anhalt, Magdeburg
Christoph Schulz	Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg NORD/LB Vermögensmanagement Luxembourg S.A., Luxemburg-Findel LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin und Hannover Toto-Lotto Niedersachsen GmbH, Hannover

¹⁾ Banks are treated as large corporations.

Name	Society ¹⁾
Uwe Didwischus	ConCardis GmbH, Eschborn
Dr. Rüdiger Fuhrmann	Niedersächsische Landgesellschaft mbH, Hannover
Dr. Michael Lange	Toto-Lotto Niedersachsen GmbH, Hannover (to 5 October 2015)
Dr. Ulf Meier	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover Toto-Lotto Niedersachsen GmbH, Hannover (until 6 October 2015)
Werner Schilli	Öffentliche Sachversicherung Braunschweig, Braunschweig Öffentliche Lebensversicherung Braunschweig, Braunschweig
Ingo Wünsche	Niedersächsische Bürgschaftsbank (NBB) GmbH, Hannover
Berit Zimmermann	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg
Jörn Zimmermann	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin

¹⁾ Banks are treated as large corporations.

4. Remuneration of and Loans to Governing Bodies

(in € 000)	2015	2014
Total remuneration of current board members		
Managing Board	4 523	4 198
Supervisory Board	435	445
	4 958	4 643
Total remuneration of former board members and their surviving dependents		
Managing Board	4 108	4 036
Advances and loans granted		
Managing Board	613	708
Supervisory Board	35	52

43 521 Tsd € (36 830 Tsd €) was put back for pension obligations towards former members of governing bodies and their surviving depend-

ents, whereby an obligation of 7 444 Tsd € (12 360 Tsd €) is not reported in the balance sheet.

5. Auditor's fees

NORD/LB has made use of the option in accordance with § 285 no. 17 of the German Commercial

Code of reporting the auditor's fees in the consolidated financial statements.

6. Average number of employees

	Male 2015	Male 2014	Female 2015	Female 2014	Total 2015	Total 2014
Employees	2 005	2 069	2 065	2 152	4 070	4 221

Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern account for an additional 641 employees (631 employees).

7. Further Disclosures*Services performed for third parties*

Significant services performed for third parties concern:

- the management of trust assets
- the management of custodian accounts
- the brokering building loan contracts, investment products, loans and insurance
- the brokering of foreign notes and coins and precious metals for associated savings banks
- asset management
- the brokering of loans and investment products

*Write-down
to lower fair value*

The items “debt securities and other fixed-interest securities” and “shares and other variable-yield securities” include securities valued like fixed

assets which have not been written down to their lower fair value. These concern the following securities (all book values and fair values disclosed do not include accumulated interest):

(in € 000)	Book values 31 Dec. 2015	Fair values 31 Dec. 2015	omitted depreciation 31 Dec. 2015	Book values 31 Dec. 2014	Fair values 31 Dec. 2014	omitted depreciation 31 Dec. 2014
Bonds and debt securities	1 729 954	1 673 694	56 260	1 568 356	1 496 342	72 013
Shares	–	–	–	–	–	–

NORD/LB performed a write-down in respect of three securities (110.0 Mio € nominal) due to a permanent loss in value of 33.4 Mio €. For all other bonds and debt securities it is assumed that the loss in value is not permanent as the securities are held to final maturity and the issuers are all issuers with first-class credit ratings. If as at the balance sheet date there are valuation units consisting of interest-bearing securities and interest rate swaps, the net fair value of the security and interest rate swap are entered in the above table as the fair value of the security.

The intention is to hold the shares long term. Write-downs are only to be made if there is a likely permanent loss in value. There were no reasons for a write-down to lower fair value as at the balance sheet date.

The following securities in fixed assets include hidden reserves, i.e. the fair value is above the book value (all book values and fair values disclosed do not include accumulated interest):

(in € 000)	Book values 31 Dec. 2015	Fair values 31 Dec. 2015	Book values 31 Dec. 2014	Fair values 31 Dec. 2014
Bonds and debt securities	2 423 745	2 620 249	6 189 774	6 518 007
Shares	–	–	–	–

*Marketable securities not valued
at lower of cost or market*

The items “debt securities and other fixed-interest securities” and “shares and other variable-yield securities” include marketable securities not val-

ued at lower of cost or market, i.e. they are treated as fixed assets (book values do not include accumulated interest):

(in € 000)	31 Dec.2015	31 Dec.2014
Debt securities and other fixed-interest securities	4 153 699	9 427 899
Shares and other non fixed-interest securities	–	–

The marketable securities not valued at lower of cost or market were separated from the marketable securities valued at lower of cost or market on the basis of the asset category deposited in the portfolio and the valuation method chosen.

The tables below also include the disclosures in accordance with § 36 of the RechKredV concerning the foreign currency, interest-based and other futures transactions which have not yet been completed as at the balance sheet date.

Derivatives not valued at fair value in external relations (derivatives in the non-trading portfolio)

	Nominal values	Positive fair values	Negative fair values	Book values	Recorded in balance sheet item
(in € million)	31 Dec.2015	31 Dec.2015	31 Dec.2015	31 Dec.2015	31 Dec.2015
Interest-rate risks					
Interest-rate swaps	2 961	1 062	- 75	193	Assets 12. / Liabilities 6.
FRAs	-	-	-	-	-
Interest-rate options					
purchases	4 492	1 247	-	416	Assets 11.
sales	973	-	- 581	- 198	Liabilities 5.
Caps, Floors	2 639	6	- 48	- 19	Assets 12. / Liabilities 6.
Stock-exchange contracts	-	-	-	-	-
Other forward interest rate transactions	1 022	13	- 113	-	-
Interest-rate risks – total –	12 087	2 327	- 816	392	
Currency risks					
Forward foreign exchange transactions	831	6	- 7	- 6	Liabilities 5.
Currency swaps / interest-rate currency swaps	76	8	-	7	Assets 11. / Liabilities 5./
Currency options					
purchases	-	-	-	-	-
sales	-	-	-	-	-
Currency risks – total –	907	14	- 7	1	
Shares and other price risks					
Share futures contracts	-	-	-	-	-
Share swaps	-	-	-	-	-
Share options	-	-	-	-	-
purchases	-	-	-	-	-
sales	-	-	-	-	-
Stock-exchange contracts	-	-	-	-	-
Shares and other price risks – total –	-	-	-	-	
Credit derivatives					
Assignor	44	-	- 0	- 0	Assets 12. / Liabilities 6.
Assignee	1 506	19	- 6	19	Assets 12. / Liabilities 6.
Credit derivatives – total –	1 550	19	- 7	19	
Derivatives not valued at fair value – total	14 544	2 361	- 830	411	

The derivatives primarily concern transactions which were completed to cover interest rate, exchange rate and other market price risk positions in the asset portfolio.

Nominal values constitute the gross volume of all purchases and sales and long and short positions. With share options, to calculate the nominal value the closing rate of the underlying transaction is

multiplied by the number of shares. For all contracts, fair values and book values excluding accrued interest are shown. Positive and negative fair values of contracts with the same counterparty were not offset against each other.

All of the fair values included in the above table were calculated reliably. Concerning the valuation methods used, the section “Calculation of fair values” is referred to.

Derivatives valued at fair value in external relations (derivatives in the trading portfolio)

Derivatives valued at fair value – broken down by risk type and transaction type:

	Nominal values
(in € million)	31 Dec.2015
Interest-rate risks	
Interest-rate swaps	196 757
FRAs	3 050
Interest-rate options	
purchases	3 520
sales	6 031
Caps, Floors	4 385
Stock-exchange contracts	–
Other forward interest rate transactions	1 180
Interest-rate risks – total –	214 923
Currency risks	
Forward foreign exchange transactions	19 471
Currency swaps / interest-rate currency swaps	24 683
Currency options	
purchases	240
sales	248
Currency risks – total –	44 642
Shares and other price risks	
Share futures contracts	–
Share swaps	–
Share options	
purchases	31
sales	–
Stock-exchange contracts	48
Shares and other price risks – total –	79
Credit derivatives – total –	–
Assignor	–
Assignee	349
Credit derivatives – total –	349
Derivatives valued at fair value – total -	259 993

Nominal values constitute the gross volume of all purchases and sales and long and short positions. With share options, to calculate the nominal value the closing rate of the underlying transaction is multiplied by the number of shares.

The amount, dates and reliability of future cash flows relating to derivatives are uncertain. The main factors which affect this are the future development of interest rates, exchange rates and share prices. Counterparty risk also exists. The

tables below provide an overview of the volumes affected by these factors.

Derivatives valued at fair value – broken down by risk type and residual term to maturity:

	Nominal values
(in € million)	31 Dec.2015
Interest-rate risks	
Residual terms to maturity	
up to 3 months	11 478
up to 1 year	21 744
up to 5 years	73 636
more than 5 years	108 065
	214 923
Currency risks	
Residual terms to maturity	
up to 3 months	14 092
up to 1 year	9 263
up to 5 years	11 560
more than 5 years	9 728
	44 642
Shares and other price risks	
Residual terms to maturity	
up to 3 months	52
up to 1 year	25
up to 5 years	2
more than 5 years	–
	79
Credit derivatives	
Residual terms to maturity	
up to 3 months	–
up to 1 year	75
up to 5 years	274
more than 5 years	–
	349

Derivatives valued at fair value - broken down by counterparty:

	Nominal values
(in € million)	31 Dec.2015
Banks in the OECD	86 170
Banks outside the OECD	49
Public institutions in the OECD	5 957
Other counterparties ¹⁾	167 816
Total	259 993

¹⁾ Including stock exchange contracts

Disclosures concerning valuation units

NORD/LB has included the following assets, liabilities and pending transactions as underlying transactions in

valuation units (assets and liabilities disclosed at book value not including accumulated interest; pending transactions disclosed in nominal volume):

(in € 000)	31 Dec.2015			
	Underlying transaction hedged against			
	Interest rate risk	Share price risk	Inflation risk	Currency risk
Assets				
Fixed-interest securities for the liquidity reserve	989 596	–	–	–
Assets – total	989 596	–	–	–
Pending transactions				
Derivatives separated from structured issues				
share-price-related derivatives	–	137 455	–	–
exchange-rate-related derivatives	–	–	–	81 321
Other	–	–	147 805	–
Pending transactions – total	–	137 455	147 805	81 321
Transactions expected with a high probability¹⁾				
Repayment of an issued USD hybrid capital bond	–	–	–	459 263
Transactions expected with a high probability – total	–	–	–	459 263
Valuation units – total	989 596	137 455	147 805	540 585

¹⁾ The transaction expected with high probability concerns the pending repayment of a hybrid capital bond issued by NORD/LB in US dollars. The bond will be repaid on 30 June 2016.

The total of all underlying transactions included in valuation units is therefore 1 815.4 Mio €.

The prospective and retrospective effectiveness of all valuation units is measured using the Critical Terms Match method. The changes in value resulting from the hedged risk for the corresponding underlying and hedging investments balance due to identical business parameters. Basically the final maturity of the underlying transactions corresponds to the final maturity of the hedging instrument. The underlying transactions will mature between 2016 and 2044.

Deferred taxes

The deferred taxes of NORD/LB in Germany are measured using the future tax rate which will be applicable of 32.0% (31.5%). This combined income tax rate comprises corporation tax, trade tax

and the solidarity surcharge. Different tax rates apply for the foreign branches.

Deferred tax liabilities relating to the different tax approach for intangible assets, property, plant and equipment and the trading portfolio were offset with deferred tax assets against temporary differences in loans and advances to customers, debt securities, pension provisions and other provisions.

The recoverable deferred tax assets were offset against deferred tax liabilities. Deferred tax assets beyond those offset are not reported in accordance with the option provided for in § 274 para. 1 clause 2 of the German Commercial Code.

Values subject to dividend payout restrictions

After the deduction of deferred tax liabilities, self-made intangible fixed assets in the amount of 33.5 Mio € remain. The restriction on distributions for such values enshrined in § 268 para. 8 of the German Commercial Code does not affect the profit for the financial year 2015 as the disposable reserves plus the profit carried forward are greater than the intangible fixed assets.

Repos

Repos are reported in accordance with § 340b of the German Commercial Code. Only genuine repos are completed.

Securities and other assets with a book value totaling 3 740.8 Mio € (5 427.6 Mio €) were committed by NORD/LB within the scope of genuine repos. The counterparty risk is manageable.

Special investment assets

Name of the special asset	NORD/LB AM ALCO	NORD/LB Horizont Fonds-TF B	Nordlux Pro-Aktiv-B
Former	-	-	-
Type of special asset	AIF ¹⁾	AIF ¹⁾	OGAW ²⁾
Investment objective	The fund is part of the ALCO-portfolio and thus part of the strategic investments.	The fund is for conservative investors sensitive to inflation. NORD/LB holds a strategic share in order to have a positive argument for customers in selling.	The fund follows the principle of asset management, is actively managed and invests in international capital market products or currencies. It was launched on 1 April 2014 and is currently in the start-up finance phase, which should last until mid-2016.
Reporting date	31.12.2015	31.12.2015	31.12.2015
Special assets (in € 000)	1 237 194	33 443	15 836
Shares – total	11 902 648	339 965	163 700
Currency of shares	EUR	EUR	EUR
Shares of NORD/LB as at the reporting date	11 902 648	101 720	151 256
Values of the shares according to § 168 and 278 KAGB as at reporting date	103.94	97.61	96.15
Carrying amount (in € 000)	1 224 536	9 929	14 543
Difference between fair value and carrying amount (in € 000)	12 625	-	-
Dividends paid out in the final year acc. to shares of NORD/LB (gross in € 000)	20 000	122	91
Reporting year of NORD/LB	1 Jan. - 31 Dec.	1 Jan. - 31 Dec.	1 Jan. - 31 Dec.
Reporting year of the special asset	1 Jan. - 31 Dec.	1 Oct. - 30 Sep.	1 Oct. - 30 Sep.
Restrictions in the possibility of daily return	None	None	None
Reasons for no write-down § 253 para. 3 clause 4 of the German Commercial Code	-	-	-
Pointers for the loss of value not being permanent	-	-	-

¹⁾ Alternative investment funds

²⁾ Collective investment undertakings (CIU) in securities

8. Cover statement

(Old portfolio/ issues before 19 July 2005)

(in € 000)	31 Dec.2015	31 Dec.2014
Mortgage bond coverage		
Liabilities requiring cover		
Pfandbriefe	–	–
discharged and cancelled items	–	–
Registered Pfandbriefe (as security on loans taken up)	–	–
	–	–
Covering assets		
Loans to customers secured by mortgages	–	–
Public issuer securities	–	–
Substitute credit institution cover	–	–
	–	–
Surplus cover	–	–
Municipal cover		
Liabilities requiring cover		
Municipal debentures	1 046 792	1 698 223
discharged and cancelled items	–	–
Registered municipal debentures (to secure loans taken up)	–	–
	1 046 792	1 698 223
Covering assets		
Municipal loans		
to financial institutions	62 083	421 723
to customers	1 657 062	1 914 159
Public issuer securities	–	448 150
Fixed deposits from public-sector banks	–	–
Substitute credit institution cover	50 000	50 000
	1 769 145	2 834 031
Surplus cover	722 353	1 135 808

This old portfolio (cover and in circulation) was encapsulated in accordance with § 51 (PfandBG) and is held separately from the new cover in accordance with the regulations applicable up until the provisions under the PfandBG came into effect.

9. Cover statement for NORD/LB in accordance with § 28 of the Covered Bond Act

The total value of **Hypothekendarbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values ¹⁾ + 250 bp	Risk-adjusted present values ¹⁾ - 250 bp	Risk-adjusted present values ¹⁾ Currency stress
Hypothekendarbriefe					
Total Pfandbriefe in circulation	2 112.6 (1 913.2)	2 156.6 (1 981.4)	2 071.1 (1 938.7)	2 175.5 (1 988.9)	2 071.1 (1 938.7)
Total cover pool	3 188.5 (2 955.4)	3 499.2 (3 274.7)	3 248.4 (3 035.8)	3 551.2 (3 325.3)	3 226.0 (3 026.5)
Over-collateralisation	1 075.9 (1 042.2)	1 342.5 (1 293.3)	1 177.4 (1 097.1)	1 375.7 (1 336.4)	1 154.9 (1 087.8)
Over-collateralisation in %	50.9 (54.5)	62.3 (65.3)	56.8 (56.6)	63.2 (67.2)	55.8 (56.1)
Net present value per foreign currency item					
CHF	- (-)	- (-)	- (-)	- (-)	6.4 (-)
USD	- (-)	- (-)	- (-)	- (-)	131.1 (55.9)

¹⁾ Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Hypothekendarbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

(in € million)	Balancing receivables in accordance with § 19 (1) no. 1 PfandBG	Loans and advances to banks in accordance with § 19 (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 19 (1) no. 2 PfandBG of which: covered debt securities ¹⁾	Loans and advances to the public sector in accordance with § 19 (1) no. 3 PfandBG	Total
Germany	- (-)	10.0 (35.0)	- (-)	65.0 (40.0)	75.0 (75.0)

¹⁾ in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Hypothekendarfbriefe and their cover assets:

(in € million)	31 Dec.2015	31 Dec.2014
Pfandbriefe in circulation	2 112.6	1 913.2
Share of fixed-interest Pfandbriefe in %	34.56	23.56
Share of derivatives	-	-
Cover pool	3 188.5	2 955.4
Share of fixed-interest cover assets in %	75.36	76.30
Share of derivatives	-	-
Total value of receivables that exceed the limits of § 13 para. 1	-	-
Total value of receivables that exceed the limits of § 19 para. 1 no. 2	-	-
Total value of receivables that exceed the limits of § 19 para. 1 no. 3	-	-
Volume-weighted average of the time passed since loan issue in years	6.9	6.5
Average weighted loan-to-value ratio in %	max. 60.0	max. 60.0

Maturity structure of Hypothekendarfbriefe and fixed-interest periods of cover assets:

(in € million)	Pfandbriefe in circulation	Cover pool	Pfandbriefe in circulation	Cover pool
	31 Dec.2015	31 Dec.2015	31 Dec.2014	31 Dec.2014
Less than 6 months	107.5	434.0	64.0	482.4
More than 6 but less than 12 months	70.0	284.2	40.0	180.1
More than 12 but less than 18 months	-	247.6	257.5	132.6
More than 18 months but less than 2 years	70.0	99.6	40.0	228.2
More than 2 but less than 3 years	70.0	371.8	40.0	309.1
More than 3 but less than 4 years	947.6	371.2	40.0	274.3
More than 4 but less than 5 years	575.0	243.4	859.2	312.6
More than 5 but less than 10 years	272.5	1 026.8	572.5	920.3
More than 10 years	-	109.8	-	115.8
Key figures total	2 112.6	3 188.5	1 913.2	2 955.4

Breakdown of cover assets for Hypothekendarfbriefe by size category:

(in € million)	31 Dec.2015	31 Dec.2014
Less than € 300 thousand	1 101.0	1 124.1
More than € 300 thousand but less than € 1 million	288.1	269.1
More than € 1 million but less than € 10 million	779.3	673.7
More than € 10 million	945.0	813.5
Size categories total	3 113.5	2 880.4

Breakdown of cover assets for Hypothekenpfandbriefe by country and type of use (residential):

(in € million)	Property used for residential purposes					Total
	Owner-occupied apartments	Single and twofamily houses	Apartment buildings	Unfinished new buildings not yet capable of yielding a return	Construction sites	
Germany	189.1 (182.8)	706.5 (655.3)	1 213.7 (831.4)	- (-)	0.1 (0.6)	2 109.4 (1670.1)
France	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Luxembourg	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Austria	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
USA	- (-)	- (-)	- (-)	- (-)	- (-)	- (-)
Receivables by country total	189.1 (182.8)	706.5 (655.3)	1 213.7 (831.4)	- (-)	0.1 (0.6)	2 109.4 (1 670.1)

Breakdown of cover assets for Hypothekenpfandbriefe by country and type of use (commercial):

(in Mio €)	Property used for commercial purposes						Gesamt
	Office Buildings	Retail buildings	Industrial building	Other buildings used for commercial purposes	Unfinished new buildings not yet capable of yielding a return	Construction sites	
Germany	305.8 (259.7)	193.1 (217.4)	7.6 (8.5)	219.7 (204.4)	- (-)	0.0 (0.1)	726.3 (690.1)
Luxemburg	142.6 (119.8)	- (-)	- (-)	- (-)	- (-)	- (-)	142.6 (119.8)
Austria	- (-)	8.2 (8.5)	- (-)	- (-)	- (-)	- (-)	8.2 (8.5)
USA	127.0 (52.4)	- (-)	- (-)	- (-)	- (-)	- (-)	127.0 (52.4)
Receivables by country total	575.4 (431.9)	201.3 (225.9)	7.6 (8.5)	219.7 (204.4)	- (-)	0.0 (0.1)	1 004.1 (870.8)

Breakdown of the total value of payments for Hypothekendarlehenpfandbrief cover outstanding by at least 90 days by country:

	Total value of payments outstanding by at least 90 days	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable	Total value of payments outstanding by at least 90 days	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
(in € million)	31 Dec.2015	31 Dec.2015	31 Dec.2014	31 Dec.2014
Germany	-	-	-	-
Luxembourg	-	-	-	-
Austria	-	-	-	-
USA	-	-	-	-
Total value	-	-	-	-

There were no cases of forced sale, forced receivership or takeovers of land to prevent losses. The total arrears on interest to be paid by mortgage

debtors is 197 Tsd € (181 Tsd €) for commercial property and 116 Tsd € (125 Tsd €) for residential property.

The total value of **Öffentliche Pfandbriefe** in circulation and the cover assets used for this are broken down as follows:

	Nominal value	Present value	Risk-adjusted present values ¹⁾ + 250 bp	Risk-adjusted present values ¹⁾ - 250 bp	Risk-adjusted present values ¹⁾ Currency stress
(in € million)					
Öffentliche Pfandbriefe					
Total Pfandbriefe in circulation	15 691.8 (15 785.7)	18 202.6 (18 658.4)	16 139.5 (16 505.6)	19 137.6 (19 533.2)	16 564.1 (17 047.7)
Total cover pool	18 910.9 (21 043.8)	21 613.2 (24 285.1)	19 213.9 (21 655.5)	22 709.4 (25 342.4)	19 322.7 (21 772.7)
Over-collateralisation	3 219.1 (5 258.1)	3 410.6 (5 626.7)	3 074.3 (5 149.9)	3 571.8 (5 809.2)	2 758.6 (4 725.0)
Over-collateralisation in %	20.5 (33.3)	18.7 (30.2)	19.0 (31.2)	18.7 (29.7)	16.7 (27.7)
Net present value per foreign currency item					
CHF	-	-	-	-	1.9
	(-)	(-)	(-)	(-)	(1.7)
JPY	-	-	-	-	- 139.2
	(-)	(-)	(-)	(-)	(- 128.3)
USD	-	-	-	-	- 1 216.6
	(-)	(-)	(-)	(-)	(- 1 719.1)

¹⁾ Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Öffentliche Pfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

	Balancing receivables in accordance with § 20 (2) no. 1 PfandBG	Loans and advances to banks in accordance with § 20 (2) no. 2 PfandBG	Loans and advances to banks in accordance with § 20 (2) no. 2 PfandBG of which: covered debt securities ¹⁾	Total
(in € million)				
Germany	–	496.4	70.0	496.4
	(–)	(697.2)	(70.0)	(697.2)

¹⁾ in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Öffentliche Pfandbriefe and their cover assets:

(in € million)	31 Dec.2015	31 Dec.2014
Pfandbriefe in circulation	15 691.8	15 785.7
Share of fixed-interest Pfandbriefe in %	87.84	89.49
Share of derivatives	–	–
Cover pool	18 910.9	21 043.8
Share of fixed-interest cover assets in %	85.85	84.29
Share of derivatives	–	–
Total value of receivables that exceed the limits of § 20 para. 2 no. 2	–	–

Maturity structure of Öffentliche Pfandbriefe and fixed-interest periods of cover assets:

(in € million)	Pfandbriefe in circulation	Cover pool	Pfandbriefe in circulation	Cover pool
	31 Dec.2015	31 Dec.2015	31 Dec.2014	31 Dec.2014
Less than 6 months	1 164.6	1 367.0	703.0	1 263.4
More than 6 but less than 12 months	1 329.8	1 013.1	1 380.1	1 999.6
More than 12 but less than 18 months	663.1	1 400.4	1 292.3	1 055.7
More than 18 months but less than 2 years	925.4	1 081.1	1 179.9	1 053.4
More than 2 but less than 3 years	1 364.7	1 685.9	1 326.7	2 677.1
More than 3 but less than 4 years	3 263.1	1 815.3	1 054.2	1 668.1
More than 4 but less than 5 years	483.1	1 406.3	2 177.2	1 674.0
More than 5 but less than 10 years	2 941.8	5 011.9	3 303.1	5 630.9
More than 10 years	3 556.2	4 129.9	3 369.2	4 021.6
Key figures total	15 691.8	18 910.9	15 785.7	21 043.8

Breakdown of cover assets for Öffentliche Pfandbriefe by size category:

(in € million)	31 Dec.2015	31 Dec.2014
Less than € 10 million	1 884.0	1 913.8
More than € 10 million but less than € 100 million	4 732.8	5 452.7
More than € 100 million	11 797.8	12 980.1
Size categories total	18 414.5	20 346.6

Breakdown of cover assets for Öffentliche Pfandbriefe by country, broken down by type of debtor (including over-collateralisation in accordance with § 4 (1) PfandBG):

(in € million)	Country	Regional authority	Local authority	Other debtors	Total	of which: by ECA guarantees
Germany	1 222.9 (1385.0)	5 983.2 (6682.7)	4 581.8 (4792.8)	5 594.4 (6308.2)	17 382.3 (19168.7)	544.1 (-)
Belgium	- (14.5)	- (-)	- (-)	159.8 (-)	159.8 (14.5)	25.8 (-)
Denmark	- (28.1)	- (-)	- (-)	29.0 (-)	29.0 (28.1)	29.0 (-)
Finland	- (76.8)	- (-)	- (-)	66.0 (-)	66.0 (76.8)	66.0 (-)
France	47.0 (40.6)	- (-)	- (-)	- (-)	47.0 (40.6)	47.0 (-)
Great Britain	51.9 (53.8)	- (-)	- (-)	- (-)	51.9 (53.8)	51.9 (-)
Canada	72.2 (76.6)	- (-)	- (-)	- (-)	72.2 (76.6)	- (-)
Latvia	- (-)	- (-)	37.4 (40.1)	- (-)	37.4 (40.1)	- (-)
Luxembourg	- (-)	- (-)	- (-)	25.0 (25.0)	25.0 (25.0)	- (-)
Netherlands	30.4 (-)	- (-)	- (-)	- (-)	30.4 (-)	30.4 (-)
Austria	- (148.1)	- (-)	- (-)	- (116.1)	- (264.2)	- (-)
Switzerland	- (-)	- (-)	- (-)	3.1 (-)	3.1 (-)	3.1 (-)
USA	486.5 (541.0)	- (-)	- (-)	23.9 (17.2)	510.4 (558.2)	486.5 (-)
Receivables by country total	1 910.8 (2 364.5)	5 983.2 (6 682.7)	4 619.2 (4 832.9)	5 901.2 (6 466.5)	18 414.5 (20 346.6)	1 283.9 (-)

Breakdown of the total value of payments for Öffentliche Pfandbrief cover outstanding by at least 90 days by country:

(in € million)	Total value of payments outstanding by at least 90 days				
	Country	Regional authority	Local authority	Other debtors	of which: by ECA guarantees
Germany	31.7	-	-	-	31.7
	(-)	(-)	(-)	(-)	(-)
Switzerland	-	-	-	0.5	0.5
	(-)	(-)	(-)	(-)	(-)
Receivables by country total	31.7	-	-	0.5	32.3
	(-)	(-)	(-)	(-)	(-)

¹⁾ The above outstanding payments are not included in the reported cover pool.

(in € million)	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable				
	Country	Regional authority	Local authority	Other debtors	
Germany	75.7	-	-	-	-
	(-)	(-)	(-)	(-)	(-)
Switzerland	-	-	-	-	3.1
	(-)	(-)	(-)	(-)	(-)
Receivables by country total	75.7	-	-	-	3.1
	(-)	(-)	(-)	(-)	(-)

The total value of **Schiffspfandbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values ¹⁾ + 250 bp	Risk-adjusted present values ¹⁾ - 250 bp	Risk-adjusted present values ¹⁾ Currency stress
Schiffspfandbriefe					
Total Pfandbriefe in circulation	80.0 (80.0)	81.2 (81.2)	77.1 (75.3)	81.3 (81.9)	81.2 (81.2)
Total cover pool	220.8 (175.6)	246.1 (191.9)	242.8 (189.2)	247.7 (192.9)	207.2 (163.1)
Over-collateralisation	140.8 (95.6)	164.9 (110.7)	165.7 (113.9)	166.4 (111.0)	126.1 (81.9)
Over-collateralisation in %	176.0 (119.5)	203.2 (136.3)	214.8 (151.3)	204.8 (135.5)	155.3 (100.9)
Net present value per foreign currency item					
USD	-	-	-	-	231.2
	(-)	(-)	(-)	(-)	(171.8)

¹⁾ Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Schiffspfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

	Balancing receivables in accordance with § 26 (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 26 (1) no. 3 PfandBG	Loans and advances to banks in accordance with § 26 (1) no. 3 PfandBG of which: covered debt securities ¹⁾	Loans and advances to the public sector in accordance with § 26 (1) no. 4 PfandBG	Total
(in € million)					
Germany	-	-	-	6.0	6.0
	(-)	(-)	(-)	(16.0)	(16.0)

¹⁾ in accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Schiffspfandbriefe and their cover assets:

(in € million)	31 Dec.2015	31 Dec.2014
Pfandbriefe in circulation	80.0	80.0
Share of fixed-interest Pfandbriefe in %	62.50	62.50
Share of derivatives	-	-
Cover pool	220.8	175.6
Share of fixed-interest cover assets in %	2.72	9.11
Share of derivatives	-	-
Total value of receivables that exceed the limits of § 26 para. 1 no. 3	-	-
Total value of receivables that exceed the limits of § 26 para. 1 no. 4	-	-

Maturity structure of Schiffspfandbriefe and fixed-interest periods of cover assets:

(in € million)	Pfandbriefe in circulation	Cover pool	Pfandbriefe in circulation	Cover pool
	31 Dec.2015	31 Dec.2015	31 Dec.2014	31 Dec.2014
Less than 6 months	-	18.1	-	36.9
More than 6 but less than 12 months	-	17.7	-	25.2
More than 12 but less than 18 months	-	14.1	-	12.5
More than 18 months but less than 2 years	50.0	11.1	-	11.4
More than 2 but less than 3 years	30.0	36.7	50.0	16.9
More than 3 but less than 4 years	-	31.9	30.0	17.8
More than 4 but less than 5 years	-	16.9	-	17.0
More than 5 but less than 10 years	-	71.0	-	37.3
More than 10 years	-	3.3	-	0.6
Key figures total	80.0	220.8	80.0	175.6

Breakdown of cover assets for Schiffspfandbriefe by size category:

(in € million)	31 Dec.2015	31 Dec.2014
Less than € 500 thousand	0.4	0.4
More than € 500 thousand but less than € 5 million	27.1	27.5
More than € 5 million	187.2	131.7
Size categories total	214.8	159.6

Breakdown of cover assets for Schiffspfandbriefe by country, broken down by ocean-going and inland ships:

(in € million)	Ocean-going ships	Inland ships	Total
Germany	142.2	-	142.2
	(115.4)	(-)	(115.4)
Malta	30.0	-	30.0
	(15.2)	(-)	(15.2)
Marshall Islands	22.5	-	22.5
	(21.5)	(-)	(21.5)
Cyprus	20.0	-	20.0
	(7.5)	(-)	(7.5)
Receivables by country total	214.8	-	214.8
	(159.6)	(-)	(159.6)

Total value of payments for Schiffspfandbriefe outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days ¹⁾	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Receivables	0.2	-
	(4.7)	(8.6)

¹⁾ The above outstanding payments are not included in the reported cover pool.

There were no cases of forced sale, forced receivership or takeovers of ships or ships under construction to prevent losses. The total arrears on interest to be paid by loan debtors is 0 Tsd € (12 Tsd €) for ocean-going ships and 0 Tsd € (0 Tsd €) for inland ships.

The total value of **Flugzeugpfandbriefe** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values ¹⁾ + 250 bp	Risk-adjusted present values ¹⁾ - 250 bp	Risk-adjusted present values ¹⁾ Currency stress
Flugzeugpfandbriefe					
Total Pfandbriefe in circulation	1 006.0 (1 006.0)	1 042.8 (1 049.0)	985.2 (968.0)	1 045.2 (1 059.0)	1 042.8 (1 049.0)
Total cover pool	1 272.5 (1 390.4)	1 381.1 (1 529.9)	1 327.8 (1 456.9)	1 416.7 (1 578.9)	1 176.7 (1 304.2)
Over-collateralisation	266.5 (384.4)	338.3 (480.9)	342.6 (488.9)	371.6 (519.9)	133.9 (255.2)
Over-collateralisation in %	26.5 (38.2)	32.4 (45.8)	34.8 (50.5)	35.5 (49.1)	12.8 (24.3)
Net present value per foreign currency item					
GBP	- (-)	- (-)	- (-)	- (-)	65.5 (51.2)
USD	- (-)	- (-)	- (-)	- (-)	1 139.3 (1 256.6)

¹⁾ Static method in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Flugzeugpfandbriefe in accordance with § 28 para. 1 no. 4, no. 5 and no. 6:

(in € million)	Balancing receivables in accordance with § 26f (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 26f (1) no. 3 PfandBG	Loans and advances to banks in accordance with § 26f (1) no. 3 PfandBG of which: covered debt securities ¹⁾	Loans and advances to the public sector in accordance with § 26f (1) no. 4 PfandBG	Total
Germany	- (-)	- (-)	- (-)	35.0 (35.0)	35.0 (35.0)

¹⁾ In accordance with Article 129 of the Regulation (EU) no. 575/2013

Key figures for Flugzeugpfandbriefe and their cover assets:

(in € million)	31 Dec.2015	31 Dec.2014
Pfandbriefe in circulation	1 006.0	1 006.0
Share of fixed-interest Pfandbriefe in %	100.00	100.00
Share of derivatives	-	-
Cover pool	1 272.5	1 390.4
Share of fixed-interest cover assets in %	60.50	60.91
Share of derivatives	-	-
Total value of receivables that exceed the limits of § 26f para. 1 no. 3	-	-
Total value of receivables that exceed the limits of § 26f para. 1 no. 4	-	-

Maturity structure of Flugzeugpfandbriefe and fixed-interest periods of cover assets:

(in € million)	Pfandbriefe in circulation 31 Dec.2015	Cover pool 31 Dec.2015	Pfandbriefe in circulation 31 Dec.2014	Cover pool 31 Dec.2014
Less than 6 months	-	148.2	-	93.8
More than 6 but less than 12 months	-	96.2	-	93.7
More than 12 but less than 18 months	-	126.1	-	143.4
More than 18 months but less than 2 years	501.0	93.8	-	93.1
More than 2 but less than 3 years	-	299.5	501.0	209.0
More than 3 but less than 4 years	505.0	125.9	-	280.3
More than 4 but less than 5 years	-	188.8	505.0	116.2
More than 5 but less than 10 years	-	192.6	-	353.6
More than 10 years	-	1.3	-	7.3
Key figures total	1 006.0	1 272.5	1 006.0	1 390.4

Breakdown of cover assets for Flugzeugpfandbriefe by size category:

(in € million)	31 Dec.2015	31 Dec.2014
Less than € 500 thousand	1.6	0.4
More than € 500 thousand but less than € 5 million	75.6	105.1
More than € 5 million	1 160.3	1 249.9
Size categories total	1 237.5	1 355.4

Breakdown of cover assets for Flugzeugpfandbriefe by country, broken down by type of aircraft:

(in € million)	Business jet	Freigh-ter	Narrow body	Regional jet	Turbo- prop	Ultra- large	Wide- body	Total
Germany	-	134.1	110.3	-	22.9	-	-	267.3
	(-)	(129.6)	(139.6)	(-)	(23.2)	(-)	(-)	(292.4)
Finland	-	-	-	-	-	-	44.9	44.9
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
France	-	-	16.4	-	-	46.9	71.2	134.5
	(-)	(-)	(15.8)	(-)	(-)	(56.2)	(72.8)	(144.8)
Great Britain	-	-	72.3	11.6	38.3	65.7	-	187.9
	(-)	(-)	(80.8)	(12.7)	(54.0)	(96.3)	(17.9)	(261.7)
Ireland	-	-	70.4	-	-	-	48.5	118.8
	(-)	(-)	(75.6)	(-)	(-)	(-)	(47.8)	(123.4)
Luxembourg	-	11.8	-	-	-	-	-	11.8
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Norway	-	-	6.9	-	-	-	-	6.9
	(-)	(-)	(38.5)	(-)	(-)	(-)	(-)	(38.5)
USA	-	-	357.9	87.2	-	-	20.3	465.5
	(-)	(-)	(378.3)	(96.8)	(-)	(-)	(19.5)	(494.6)
Receivables country total	-	145.9	634.2	98.8	61.2	112.6	184.8	1 237.5
	(-)	(129.6)	(728.6)	(109.5)	(77.2)	(152.5)	(158.0)	(1 355.4)

Total value of payments for Flugzeugpfandbriefe outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Forderungen	-	-
	(-)	(-)

There were no cases of forced sale, forced receivership or takeovers of aircraft or aircraft under construction to prevent losses. The total arrears on interest to be paid by loan debtors is 0 Tsd € (0 Tsd €).

10. List of equity holdings

The list below contains the equity holdings in accordance with § 285 no. 11 and 11a HGB and investments in terms of § 340a para. 4 no. 2 HGB. Included are all companies in which there is an equity holding of 20% or more,

unless they are of minor significance for the presentation of the assets, financial and earnings position, and investments in large corporations which exceed 5% of the voting rights.

No.	Name / registered office	Share of capital held (in %)	Equity (in € 000)	Profit /Loss (in € 000)
Affiliated Companies				
1	BGG Bremen GmbH & Co. KG, Bremen ¹⁾⁷⁾	100.00	142	56
2	BGG Oldenburg GmbH & Co. KG, Bremen ¹⁾⁷⁾	100.00	9 065	1 053
3	BLB Immobilien GmbH, Bremen ¹⁾⁷⁾	100.00	17 180	0
4	BLB Leasing GmbH, Oldenburg ¹⁾⁷⁾¹⁰⁾	100.00	511	- 790
5	BLBI Beteiligungs-GmbH, Bremen ¹⁾⁷⁾	100.00	81	7
6	Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig ³⁾⁷⁾	100.00	9 061	0
7	Braunschweig Grund Objektgesellschaft Driebergen mbH & Co. KG, Braunschweig ²⁾⁶⁾	66.67	1 584	532
8	Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig ¹⁾⁶⁾	50.00	36	2
9	Bremer Landesbank Kreditanstalt Oldenburg -Girozentrale-, Bremen ⁷⁾¹⁰⁾	54.83	1 342 800	5 000
10	Bremische Grundstücks-GmbH, Bremen ¹⁾⁷⁾	100.00	54 478	0
11	Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen ¹⁾⁷⁾	100.00	970	873
12	Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen ¹⁾⁷⁾	100.00	740	597
13	City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hanover ⁶⁾	100.00	443	- 1
14	Deutsche Hypothekbank (Actien-Gesellschaft), Hanover ³⁾⁷⁾¹⁰⁾	100.00	913 172	0
15	FL FINANZ-LEASING GmbH, Wiesbaden ²⁾⁶⁾⁸⁾	58.00	- 132	- 124
16	Galimondo S.a.r.l., Luxembourg-Findel, Luxembourg ¹⁾⁶⁾	100.00	30	18
17	General Partner N666DN GP, LLC, Wilmington, USA ¹¹⁾	100.00	-	-
18	KreditServices Nord GmbH, Braunschweig ³⁾⁷⁾	100.00	581	0
19	LBT Holding Corporation Inc., Wilmington, USA ⁶⁾	100.00	9 124	706
20	LHI Leasing GmbH & Co. Immobilien KG, Pullach i. Isartal ²⁾⁶⁾	90.00	1 023	24
21	MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach i. Isartal ⁶⁾	77.81	7 456	485
22	NBN Grundstücks- und Verwaltungs-GmbH, Hanover ¹⁾⁶⁾	100.00	669	- 56
23	NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hanover ²⁾⁶⁾	90.00	2 580	1 642
24	New Owner Participant - N666DN OP, L.P., Wilmington, USA ²⁾¹¹⁾	100.00	-	-
25	Nieba GmbH, Hanover ³⁾⁷⁾	100.00	162 700	0
26	NOB Beteiligungs GmbH & Co. KG, Hanover ¹⁾⁶⁾	100.00	27 454	- 5
27	NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hanover ⁶⁾	100.00	36	- 2
28	NORD/FM Norddeutsche Facility Management GmbH, Hanover ³⁾⁷⁾	100.00	636	0
29	NORD/LB Asset Management AG, Hanover ¹⁾⁷⁾¹⁰⁾	100.00	8 341	2 071
30	NORD/LB Asset Management Holding GmbH, Hanover ⁷⁾	100.00	13 516	129

No.	Name / registered office	Share of capital held (in %)	Equity (in € 000)	Profit /Loss (in € 000)
31	NORD/LB G-MTN S.A., Luxembourg-Findel, Luxembourg ⁶⁾	100.00	31	0
32	NORD/LB Informationstechnologie GmbH, Hanover ³⁾⁷⁾	100.00	25	0
33	NORD/LB Project Holding Ltd., London, Großbritannien ⁶⁾	100.00	623	217
34	NORD/LB RP Investments LLC, Wilmington, USA ⁶⁾	100.00	6 388	- 2 000
35	NORD/LB Vermögensmanagement Luxembourg S.A., Luxembourg-Findel, Luxembourg ⁴⁾⁶⁾	100.00	3 000	0
36	Norddeutsche Investitionen Beteiligungsgesellschaft mbH, Hanover ⁶⁾	100.00	15 291	20
37	NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel, Luxembourg ⁷⁾¹⁰⁾	100.00	671 948	32 102
38	Nord-Ostdeutsche Bankbeteiligungs GmbH, Hanover ³⁾⁷⁾	100.00	289 520	0
39	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen ¹⁾⁷⁾	100.00	100	2 784
40	NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen ¹⁾⁷⁾	100.00	1 117	539
41	N666DN LP, LLC, Wilmington, USA ¹⁾¹¹⁾	100.00	-	-
42	PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hanover ⁶⁾	100.00	40	13
43	Porzellanmanufaktur FÜRSTENBERG GmbH, Fürstenberg/Weser ¹⁾³⁾⁷⁾	98.00	3 088	0
44	Ricklinger Kreisel Beteiligungs GmbH, Hanover ¹⁾⁶⁾	100.00	29	6
45	Schiffsbetriebs-Gesellschaft Bremen mbH i. L., Bremen ¹⁾⁶⁾	100.00	44	- 4
46	SGK Servicegesellschaft Kreditmanagement mbH, Frankfurt am Main ⁶⁾	100.00	866	41
47	Skandifinanz AG, Zürich, Schweiz ¹⁾⁶⁾	100.00	13 844	- 798
48	Terra Grundbesitzgesellschaft am Aegi mbH i. L., Hanover ¹⁾⁶⁾	100.00	1 070	- 52
49	Themis 1 Inc., Wilmington, USA ⁶⁾	100.00	633	- 327
50	TLN Beteiligung Anstalt des öffentlichen Rechts & Co. KG, Hanover ⁹⁾¹¹⁾	100.00	-	-
51	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen ¹⁾⁶⁾	100.00	28 926	2 786
52	Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Objekt Celle-Altenhagen Vermietungs-KG, Hanover ⁶⁾	72.70	26	681
53	Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Grundschulen-Vermietungs-KG, Hanover ⁶⁾	100.00	31	6
54	Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Tiefgarage Stade Vermietungs KG, Hanover ⁶⁾	90.00	7	- 2
55	Vermögensverwaltungsgesellschaft Thiede mit beschränkter Haftung, Braunschweig ¹⁾³⁾⁷⁾	100.00	1 278	0

No.	Name / registered office	Share of capital held (in %)	Equity (in € 000)	Profit /Loss (in € 000)
Other companies of min. 20 per cent share				
1	Adler Funding LLC, Dover, USA ^{1) 6)}	21.88	10 129	3 851
2	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede ^{1) 6)}	32.26	29 450	1 105
3	BREBAU GmbH, Bremen ^{1) 6) 10)}	48.84	69 985	8 805
4	Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen ^{1) 6)}	49.00	138	525
5	Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen ^{1) 7) 9)}	50.00	83 101	- 4
6	Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode ⁶⁾	50.00	3 800	394
7	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin ^{6) 10)}	20.89	15 956	162
8	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg ^{6) 10)}	20.44	14 856	74
9	caplantic GmbH, Hanover ⁶⁾	45.00	3 565	1 356
10	Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen ^{1) 4) 6) 10)}	27.50	126 723	23 975
11	FinTech Fonds GmbH & Co. KG, Köln ^{9) 11)}	40.00	-	-
12	FinTech Fonds Management GmbH, Köln ^{9) 11)}	40.00	-	-
13	Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta ^{1) 7)}	20.46	11 510	490
14	GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg ^{1) 6)}	22.22	89 138	4 454
15	Immobilien Development und Beteiligungsgesellschaft Niedersachsen mit beschränkter Haftung IDB & Co. - Objekt Zietenterrassen - KG, Göttingen ^{2) 6)}	52.56	6 695	- 130
16	INI International Neuroscience Institute Hanover GmbH, Hanover ^{1) 6) 8)}	22.70	- 13 510	1 662
17	LBS Norddeutsche Landesbausparkasse Berlin-Hanover, Hanover ^{1) 6) 10)}	44.00	297 458	0
18	LINOVO Productions GmbH & Co. KG, Pöcking ^{6) 8)}	45.17	- 47 125	1 051
19	LUNI Productions GmbH & Co. KG, Pöcking ^{6) 8)}	24.29	- 115 719	- 86
20	Medical Park Hanover GmbH, Hanover ^{1) 6)}	50.00	2 999	265
21	Medicis Nexus GmbH & Co. KG, Icking ⁵⁾	66.01	8 310	13
22	Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin ⁶⁾	26.00	12 606	730
23	Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hanover ⁶⁾	39.82	11 476	564
24	NBV Beteiligungs-GmbH, Hanover ^{2) 6)}	42.66	15 071	1 312
25	NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover ⁶⁾	28.66	971	990
26	Öffentliche Lebensversicherung Braunschweig, Braunschweig ⁶⁾	75.00	37 998	1 518
27	Öffentliche Sachversicherung Braunschweig, Braunschweig ⁶⁾	75.00	270 693	6 760
28	Öffentliche Versicherung Bremen, Bremen ^{1) 6)}	20.00	5 050	0
29	SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg ⁶⁾	56.61	14 012	524
30	Toto-Lotto Niedersachsen GmbH, Hanover ^{1) 7) 10)}	49.85	27 610	17 384
31	Wohnungsbau-Gesellschaft Wesermarsch mit beschränkter Haftung, Brake ^{1) 6)}	21.72	19 207	240

Nr.	Name / Sitz
NORD/LB is a partner with unlimited liability in the following company (§ 285 no. 11a HGB)	
	GLB GmbH & Co. OHG, Frankfurt am Main
Investments in terms of § 340a para. 4 no. 2 of the German Commercial Code, unless reported as an affiliated company or other shareholding	
1	HCI Hammonia Shipping AG, Hamburg
2	Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung, Hanover

- 1) Held indirectly.
- 2) Including shares held indirectly.
- 3) A profit/loss transfer agreement exists with the company.
- 4) Intended for sale
- 5) Only data as at 31 December 2013 available.
- 6) Only data as at 31 December 2014 available.
- 7) Provisional data as at 31 December 2015 available.

- 8) No overindebtedness.
- 9) Newly incorporated in 2015.
- 10) Figures also in accordance with § 340a para. 4 no. 2 of the German Commercial Code (banks are interpreted as large corporations).
- 11) Annual financial statements for the company are not available.

Hanover / Braunschweig / Magdeburg, 8 March 2016

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel

Brouzi

Bürkle

Forst

Dr. Holm

Schulz

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Responsibility Statement

We declare that to the best of our knowledge and in accordance with applicable accounting principles, the annual financial statements provide a true and fair view of the assets, financial and earnings position of Norddeutsche Landesbank Girozentrale and that the management report pre-

sents a true and fair view of the development of business including the operating result and the position of the Landesbank and also describes the significant opportunities and risks relating to the probable development of the Landesbank.

Hanover / Braunschweig / Magdeburg, 8 March 2016

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel

Brouzi

Schulz

Forst

Dr. Holm

Bürkle

Auditor's Opinion

We have audited the annual financial statements, consisting of the balance sheet, income statement and notes, taking into account the accounting and the management report of Norddeutsche Landesbank - Girozentrale -, Hanover, Braunschweig and Magdeburg (NORD/LB) for the reporting year from 1 January to 31 December 2015. Under German commercial law, NORD/LB's Managing Board is responsible for the accounting and preparing the annual financial statements and management report. Our responsibility is to express an opinion on the annual financial statements including the accounting and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). These standards require that we plan and conduct the audit such that misstatements materially affecting the presentation of the assets, financial and earnings position in the annual financial statements taking into account generally accepted accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of NORD/LB

and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the information in the accounting, annual financial statements management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Managing Board, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal regulations and taking into account generally accepted accounting principles give a true and fair view of the assets, financial and earnings position of NORD/LB in accordance with these requirements. The management report is consistent with the annual financial statements and overall provides an accurate view of the position of NORD/LB and accurately presents the opportunities and risks concerning future development.

Hanover, 10 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Ufer
Auditor

Leitz
Auditor

Report of the Supervisory Board

The Managing Board of the bank regularly informed the Supervisory Board and the committees set up by the Supervisory Board on business developments and on the position of NORD/LB AöR and the Group. The Supervisory Board and its committees adopted resolutions on business matters presented to them and on other issues requiring decisions by these executive bodies in accordance with the statutes and regulations relating to these articles.

The Supervisory Board also looked closely at the business and risk policy of NORD/LB AöR's and the NORD/LB Group. Fundamental issues concerning business policy and operational areas were discussed in detail in several meetings. The Supervisory Board also looked at the Bank's sustainability and the S-Finanzgruppe security system.

The annual financial statements and the consolidated financial statements of NORD/LB for the reporting year 2015 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft who issued an unqualified audit opinion. The auditors also took part in the meeting of the Supervisory Board to discuss the annual financial statements, which was held on 6 April 2016, and reported on their findings of their audit.

The Supervisory Board has approved the results of the audit carried out by the auditors; the results of a conclusive examination carried out by the Supervisory Board did not give any cause for objections. In its meeting on 6 April 2016 the Supervisory Board adopted NORD/LB AöR's annual financial statements for 2015 and approved the consolidated financial statements for 2015. The Supervisory Board also recommended to the Owners' Meeting the appropriation of profit and the ratification of the actions of the Managing Board.

The following have left the Supervisory Board:

On 31 October 2015

Heinrich von Nathusius

On 31 December 2015

Hans-Heinrich Hahne

The following were appointed to the Supervisory Board:

On 1 November 2015

Felix von Nathusius

On 1 January 2016

Ludwig Momann

The Supervisory Board would like to thank the Managing Board for its cooperation based on mutual trust, and the bank's employees for the work they have carried out in 2015.

Hanover / Braunschweig / Magdeburg

April 2016

Peter-Jürgen Schneider

Minister of Finance

State of Lower Saxony

Report of the Owners' Meeting

In the year under review the Owners' Meeting performed the duties assigned to it by the state treaty and by the statutes. The Owners' Meeting agreed the appropriation of profit as proposed by the Supervisory Board and ratified the actions of the Managing Board and the Supervisory Board.

Furthermore, the Owners' Meeting decided on capital measures in its meetings in 2015.

The following have left the Owners' Meeting:

On 5 November 2015	Dr. Paul Krüger
On 31 December 2015	Ludwig Momann

The following were appointed to the Owners' Meeting:

On 1 January 2015	Norbert Dierkes
On 6 November 2015	Rolf Christiansen
On 1 January 2016	Silke Korthals

The Owners' Meeting thanks the Supervisory Board, the Managing Board and the Bank's employees for their work.

Hanover / Braunschweig / Magdeburg
April 2016

Thomas Mang
President
Association of Savings Banks in Lower Saxony

NORD/LB
Norddeutsche Landesbank Girozentrale
Friedrichswall 10
30159 Hannover

Telefon: +49 (0) 511/361-0
Telefax: +49 (0) 511/361-2502
www.nordlb.de
www.facebook.com/nordlb
www.twitter.com/nord_lb