NORD/LB
Die norddeutsche Art.

1765
1840
1915
1919
1970
1985
1992
2015

Always in motion.

Creating innovation through experience.
A bank offers solutions.

Finanzgruppe

Annual Report 2015

Contents

Please find the detailed Corporate Governance Report at www.nordlb.com/legal-information/legal-notices/corporate-governance/

Who we are and what services we provide

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

NORD/LB acts as a **Landesbank** in the federal states of Lower Saxony and Saxony-Anhalt, where it provides support for banking business, and is available to promote the economic development of the region. In Mecklenburg-Western Pomerania and Saxony-Anhalt NORD/LB provides advice to customers about current investment and subsidy programmes.

In its capacity as a central bank for the savings banks, NORD/LB is also a partner for all of the **savings banks** based in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony. Moreover, it is also a service provider for savings banks in other federal states such as Schleswig-Holstein. NORD/LB offers all the services that the savings banks require for their activities. The nationwide and international network within the NORD/LB Group creates ideal solutions for customers of the S-Finance Group.

NORD/LB is the **parent company** that guides all business activities in alignment with strategic objectives, creates synergy effects, bolsters the customer divisions and bundles the service offerings.

NORD/LB
Die norddeutsche Art.

Braunschweigische Landessparkasse
Ein Unternehmen der NORD/LB

NORD/LB
Covered Bond Bank Luxembourg

NORD/LB
Asset Management

DEUTSCHE HYPO
Ein Unternehmen der NORD/LB

BREMER LANDESBANK

240 000
current accounts in the Braunschweig region

› 6 300
employees

› 6 000
agricultural customers

› 5 000
properties financed

1 480
ships financed

620
aircraft financed

› 80
savings banks in the savings bank network

	1 Jan.- 31 Dec. 2015	1 Jan.- 31 Dec. 2014	Change (in %)
Income Statement (in € million)			
Net interest income	1974	1985	–1
Loan loss provisions	698	735	–5
Net commission income	234	185	26
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	280	130	> 100
Profit/loss from financial assets	72	–3	> 100
Profit/loss from investments accounted for using the equity method	8	–37	> 100
Administrative expenses	1114	1125	–1
Other operating profit/loss	–97	–75	–29
Earnings before reorganisation and taxes	**659**	**325**	**> 100**
Reorganisation expenses	–6	–48	–88
Expenses for public guarantees related to reorganisation	–	1	–100
Earnings before taxes	**653**	**276**	**> 100**
Income taxes	135	71	90
Consolidated net profit	**518**	**205**	**> 100**
Key figures in %			
Cost-Income-Ratio (CIR)	46.4	51.4	
Return-on-Equity (RoE)	8.7	3.8	

	31 Dec. 2015	31 Dec. 2014	Change (in %)
Balance sheet figures in € million			
Total assets	180998	197607	–8
Customer deposits	60597	57996	4
Customer loans	107878	108255	–
Equity	8513	7902	8
Regulatory key figures			
Common equity tier 1 capital (in € million)	8320	7381	13
Tier 2 capital (in € million)	2207	1742	27
Own funds (in € million)	10647	9123	17
Total risk exposure (in € million)	63675	69231	–8
Common equity tier 1 capital ratio (in %)	13.07	10.66	
Total capital ratio (in %)	16.72	13.18	

NORD/LB ratings
(long-term/short-term/individual)

Rating agency	Rating	Date of rating
Moody’s	A3/P–1/ba2	9 February 2016
Fitch Ratings	A–/F1/bb+	5 November 2015

Minor discrepancies may arise in this report in the calculation of totals and percentages due to rounding.

Please find the detailed Corporate Governance Report at www.nordlb.com/legal-information/legal-notices/corporate-governance/

240000
current accounts in the Braunschweig region

> 6300
employees

> 6000
agricultural customers

> 5000
properties financed

1480
ships financed

620
aircraft financed

> 80
savings banks in the savings bank network

Always in motion.

For 250 years. We set standards. We always have. In so doing, we answer the questions that are of concern to our customers. Their trust is the cornerstone of our success. We design our products to be clear and transparent. We always keep responsibility along the value chain in our own hands and develop the products' risk position autonomously.

Extended Group Managing Board

Christian Veit
Born 1970, Chairman of the Managing Board of NORD/LB Luxembourg S.A. Covered Bond Bank

Andreas Pohl
Born 1957, Speaker of the Board of Managing Directors of Deutsche Hypo

Christoph Schulz
Born 1960, Private and Commercial Customers; Chairman of the Managing Board of Braunschweigische Landessparkasse

Thomas S. Bürkle
Born 1953, Chief Risk Officer (CRO); Finance and Risk Control, Credit Risk Management, Central Risk Management, Special Credit Management, Research/Economy

Left to right: Christian Veit, Andreas Pohl, Christoph Schulz, Thomas S. Bürkle,
Ulrike Brouzi, Dr Hinrich Holm, Dr Gunter Dunkel, Dr Stephan-Andreas Kaulvers, Eckhard Forst

Ulrike Brouzi
Born 1965, Chief Financial Officer (CFO); Chief Operations Officer (COO); Finance/Tax, Organisation and IT, Corporate Services, Group Security Division, Compliance and Landesförderinstitut as well as Relationship Mecklenburg-Western Pomerania

Dr Hinrich Holm
Born 1965, Treasury, Markets, Bank Asset Allocation, relationship with savings bank network, Investitionsbank Sachsen-Anhalt and relationship with Saxony-Anhalt and foreign branches

Dr Gunter Dunkel
Born 1953, Chairman of the Managing Board (CEO); Managing Board Office/Legal/Investments, Human Resources, Internal Audit, Corporate Communication and Strategy Development

Dr Stephan-Andreas Kaulvers
Born 1956, Chairman of the Managing Board of Bremer Landesbank

Eckhard Forst
Born 1959, Corporate Customer Business including Housing and Agricultural Banking, Commercial Real Estate Finance, Ship and Aircraft Finance, Corporate Finance, Structured Finance and Corporate Sales

Introduction by the Chairman of the Supervisory Board

Peter-Jürgen Schneider
Minister of Finance, State of Lower Saxony, and
Chairman of the Supervisory Board of NORD/LB, Hanover

Ladies and Gentlemen,

The 2015 financial year was unusual for NORD/LB because, for once, it was a nearly normal one. Following the laborious ECB stress test in 2014, which tied up considerable resources, the focus returned to business. And that was challenging enough, not least because an end to the international shipping crisis is nowhere in sight. Despite the burdens it imposed, however, the result of the stress test was encouraging – because the Bank's well-balanced and broad-based business model works.

The banking business is therefore something NORD/LB does well, and it is confident in its mastery of the sharply increased regulatory requirements as well. The increased regulatory effort is a consequence of the financial crisis.

“Despite the burdens it imposed, however, the result of the stress test was encouraging – because the Bank’s well-balanced and broad-based business model works.”

Although NORD/LB bears no responsibility for this crisis, which it withstood through its own efforts, it is naturally also subject to the new rules intended to shore up the stability of banks. Indeed, NORD/LB has significantly bolstered its capitalisation in recent years.

But NORD/LB does not limit itself to fulfilling regulatory requirements. It is also treading new paths in making its business model still more robust while minimising risks. For example, it is sharing credit risk exposure with institutional investors and obtaining equity capital from them for the lending business. In this way, it is evolving further into a credit asset manager with the ability to market its capabilities in many fields of business to investors as well. NORD/LB is leading the way with these innovative approaches.

As owners, we are pleased with this development. The Bank is not stagnating in its traditional business areas but is continually developing while minimising risks and strengthening its capital base. NORD/LB celebrated its 250th anniversary in the spring of 2015, but its eyes are on the future: what matters is what lies ahead.

Kind regards,

Peter-Jürgen Schneider
Minister of Finance for Lower Saxony
Chairman of the Supervisory Board

Introduction by the Chairman of the Managing Board

Dr Gunter Dunkel
Chairman of the Managing Board of NORD/LB, Hanover

Dear Customers and Friends of NORD/LB,
Ladies and Gentlemen,

2015 was a special year for our bank as it marked our 250th anniversary. In March 1765, Duke Charles I founded the Herzogliches Leyhaus, NORD/LB's earliest predecessor, in Braunschweig – and with it Germany's first public bank.

Much of what our founder did back then is still an essential element of how we see ourselves today: providing high-quality financial services to the economic region, enabling investment in local small and medium-sized businesses, specialising in the industries of the future with a special focus on our own commercial territory. And, not least, the conviction that a public bank in a world full of speculation must be an anchor of stability and integrity for its customers.

But looking back has shown us something else as well: time and again the world has changed radically in the past 250 years, and time and again our bank has adapted its form and its business model in response to the changing circumstances. Clinging to old certainties is not a viable survival strategy when thinking in such long timeframes, and especially not when looking to the future.

“In 2015, we took a big step on our path to developing the Bank as a credit asset manager.”

For this reason, the anniversary is also a signal for a new start for us and a reminder that we must never cease to question established truths. And that we must never lose the courage to break new ground. The year of our anniversary is a good example of this.

In 2015, we took a big step on our path to developing the Bank as a credit asset manager. NORD/LB has long been more than a bank that simply makes loans. We now enable institutional investors to invest in the lending business or participate in credit risk exposures through tailored products. In this way, we are creating appealing new opportunities for investors while simultaneously strengthening our capital base and reducing the load on it. Our broadly diversified business model is ideally suited for this innovative approach.

At the same time, we seek to profit from new business models that need not even necessarily be our own. One example is the fintech revolution: radically new ideas for the financial services sector are currently arising in many places. Far from regarding this challenge as a threat, together with a reputable partner we are deliberately investing in innovative start-ups. When new paths for the future are found, we want to be there.

Precisely that is the most important thing we have learned from our anniversary: we have not spent 250 years dwelling on the past, but always facing the future. And we have no intention of stopping now – on the contrary! We have a feeling that we’re just getting started. None of this would be possible without the trust of our customers and our owners, nor without the dedication and expertise of our employees. For this, I would like to express our heartfelt thanks on behalf of the Managing Board!

Kind regards,

Dr Gunter Dunkel
Chairman of the Managing Board

Always in motion based on many years of experience and expertise.

FLEXIBLE. SHAPING.

250 years of NORD/LB.
A success story yesterday, today and tomorrow.

Celebrating an anniversary always means looking back – at achievements and accomplishments, at milestones on a sometimes winding road. NORD/LB's road has been an eventful journey through two and a half centuries.

The Bank's deep roots in its home region mean that its history is also the history of Lower Saxony. Its founding in 1765 was meant to help commerce and craftsmanship here flourish. In the years that followed, NORD/LB always found its strength in developing innovative financial solutions for the needs of the day. Much of what makes us who we are today thus has its origins in the past 250 years. We are proud of these naturally and historically developed capabilities.

How is the Bank doing today? NORD/LB is a successful, crisis-proof company with a focus on the capital markets, a reliable partner for medium-sized business and a dedicated member of the Sparkasse savings bank family with an excellent reputation in private banking, the market leader in numerous business areas and now a banking group with global operations.

For all this, we have one of our greatest strengths to thank: our willingness to change – while always remaining true to ourselves. Anyone observing today's market environment can scarcely doubt that this ability will continue to be in demand into the future.

The roots that have grown over 250 years are solid and resilient. They offer the best foundation for further vital growth. This image is emblematic of our orientation: strengthened by our long tradition, we are looking to a successful future while seeking out new challenges.

250
years

4000
small and medium-sized corporate customers

250
projects in the Braunschweig region sponsored in 2015

1963
First ship financing

1984
First aircraft financing

1997
First wind farm financing

FLEXIBLE.

// Always in motion based on many years of experience and expertise.

250
years

4000
small and medium-sized corporate customers

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projects in the Braunschweig region sponsored in 2015

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The Bank's deep roots in its home region mean that its history is also the history of Lower Saxony. Its founding in 1765 was meant to help commerce and craftsmanship here flourish. In the years that followed, NORD/LB always remained close to the people, developing innovative financial solutions for the needs of the day. Much of what makes us who we are today thus has its origins in the past 250 years. We are proud of these naturally and historically developed capabilities.

How is the Bank doing today? NORD/LB is a successful, crisis-proof company with a focus on the capital markets, a reliable partner of regional business and a dedicated member of the Sparkasse savings bank family with an excellent standing in private banking, the market leader in numerous business areas and now a banking group with global operations.

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Milestones in NORD/LB's history.

1765

Herzogliches Leyhaus, later known as Herzogliche Leihhausanstalt(en)

Duke Charles I of Braunschweig-Lüneburg wants to provide loans to his subjects for investment while protecting them from unscrupulous moneylenders. To this end, he founds the Herzogliches Leyhaus, the foundation of today's NORD/LB.

From 1834

The Leyhaus comprises 17 savings banks

Duke William of Braunschweig adopts a law that lays the cornerstone for today's network of savings bank branches. By 1865, the number of savings banks affiliated with the Leyhaus has grown to 17.

Hannoversche Landeskreditanstalt

In the wake of the abolition of serfdom, a further NORD/LB predecessor institution, Hannoversche Landeskredit-anstalt, is established by King Ernest August I of Hanover.

1840

1750 1800 1850

1915

Girozentrale Hannover

1917

Landesbank of the Province of Hannover

1918

Niedersächsische Wohnungskreditanstalt – Stadtschaft

After the end of World War I, demand for infrastructure project financing increases sharply. Another of NORD/LB's three predecessor institutions is founded: Niedersächsische Wohnungskreditanstalt - Stadtschaft - for the Province of Hanover.

1919

Braunschweigische Staatsbank (including Braunschweigischer Landessparkasse)

The Herzogliche Leihhausanstalt becomes Braunschweigische Staatsbank while the Herzogliche Sparkasse becomes Braunschweigische Landessparkasse.

1933

Niedersächsische Landesbank – Girozentrale –

1970

NORD/LB Norddeutsche Landesbank – Girozentrale –

NORD/LB is born: Braunschweigische Staatsbank, Niedersächsische Landesbank – Girozentrale, Hannoversche Landeskreditanstalt and Niedersächsische Wohnungskreditanstalt – Stadtschaft merge to form Norddeutsche Landesbank Girozentrale. Braunschweigische Landessparkasse continues to operate as a special division of NORD/LB.

1985

NORD/LB goes international, opening an overseas branch office in London. Others follow, including in New York (1991) and Singapore (1994).

1992

In the wake of German reunification, NORD/LB becomes the Landesbank and central institution for current accounts in Saxony-Anhalt and for a time also in Mecklenburg-Western Pomerania. The role of Landesbank for Saxony-Anhalt gives NORD/LB an additional head office in Magdeburg.

2015

250 years

NORD/LB and Braunschweigische Landessparkasse celebrate their 250th anniversary together with customers and citizens of the region. A ceremony in Hanover and 250 project sponsorships in the Braunschweig region are just a few of the numerous activities in the anniversary year of 2015.

1900

1950

2000

Firmly grounded in the here and now. Ready for take-off into the future.

Festively illuminated: the former Braunschweig railway station, head office of Braunschweigische Landessparkasse

And the winner is: the first NORD/LB Deal Awards ceremony

250 years …

… for the region
Anniversary festivities always also reveal something about the company. Celebrating behind closed doors is not how we do things. Instead, NORD/LB and Braunschweigische Landessparkasse made the anniversary an experience for the people of the region: a total of 250 projects were sponsored throughout 2015. In keeping with the slogan “Always in motion”, two mobile exhibit buses set out on tour. Regional talents gave lively stage shows.

… for the staff
NORD/LB’s identity has some 6 500 faces. Every day, our employees ensure the Bank’s success at different locations and in a variety of business areas. Both to acknowledge the work they do and as an incentive, NORD/LB announced its first Deal Awards in 2015 to recognise the most successful transactions of the financial year. The internal competition met with considerable interest, with a total of 30 teams entering submissions in the categories of “Best Outplacement Success”, “Deal With Cross-selling Component” and “Most Valuable Customer Solution”. The winners were recognised at a gala event.

From Northern Germany to the whole world

As a true “Northern light”, we focus on the outstanding industries of our home region: the maritime industry, the wind power industry, agriculture and agribusiness, and aerospace companies. In all these fields and more, NORD/LB has built a strong position for itself and developed the expertise to expand even more.

We are

// a long-term partner for small and medium-sized businesses
// Germany’s biggest agricultural bank
// one of the top financiers for the German housing industry
// one of the world’s leading providers of ship and aircraft financing
// one of the most important project financiers in renewable energy
// a centre of excellence in private banking and a leading Pfandbrief issuer

A key theme in our future business direction is international presence. While the regional economy, especially SMEs, can continue to rely on us as a local partner, we are also increasingly supporting customers with global operations through financing projects around the world. Nevertheless, our focus and headquarters are and will remain in the heart of Northern Germany.

SMEs and housing: just two of many sectors where NORD/LB is among the leading financiers.


// Always in motion with expanded
product and service offerings.

DYNAMIC. CHANGE.

2034

16 153.2 million pkm
(passenger kilometres)

Linking institutional investors and the credit market.

From lending bank to credit asset manager. NORD/LB is expanding its business model: the newly established Credit Asset Management division commenced operations on 1 October 2015. It brings together the Bank's strengths in the lending and financing business, and processes loans into professional investment products. The objective is to position NORD/LB on the capital market as a leading supplier of alternative assets.

This is good news for institutional customers looking for attractive investment opportunities in times of low interest rates. The offering of alternative assets in the form of loan participations is aimed at them. For example, these may include newly extended financing or loan funds from our subsidiary NORD/LB Asset Management. But it is also possible to take a position in portfolios from NORD/LB's high-quality loan inventory. We create individualised packages according to the customer's needs.

Whichever option the investor chooses, the return on investments in loan risks is higher than that offered by conventional securities, making this form of investment an attractive proposition. In addition, institutional customers have a partner by their side in NORD/LB that brings the entire loan value chain together under one roof.

The benefits for NORD/LB are equally clear. By entering new business areas, we are setting a course for growth in the lending business – without committing additional equity capital. This is a considerable advantage given the strict capital adequacy requirements to which banks are subject. By utilising and expanding the expertise we already possess in this area, we are strengthening NORD/LB's competitiveness.

+4.9%

Estimated annual growth in global aviation in 2015-2034

2015

DYNAMIC.

Always in motion with expanded product and service offerings.

CHANGE.

Linking institutional investors and the credit market.

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“A bank that can move the entire package”

Christoph Schellkes is Head of the new Credit Asset Management division, which was established on 1 October 2015. The 49-year-old MBA has been with NORD/LB since 1994. In an interview, he explains how institutional customers can benefit from NORD/LB as a credit asset manager.

Looking ahead to future tasks: Christoph Schellkes plans to further expand NORD/LB’s lending business through the new Credit Asset Management division.

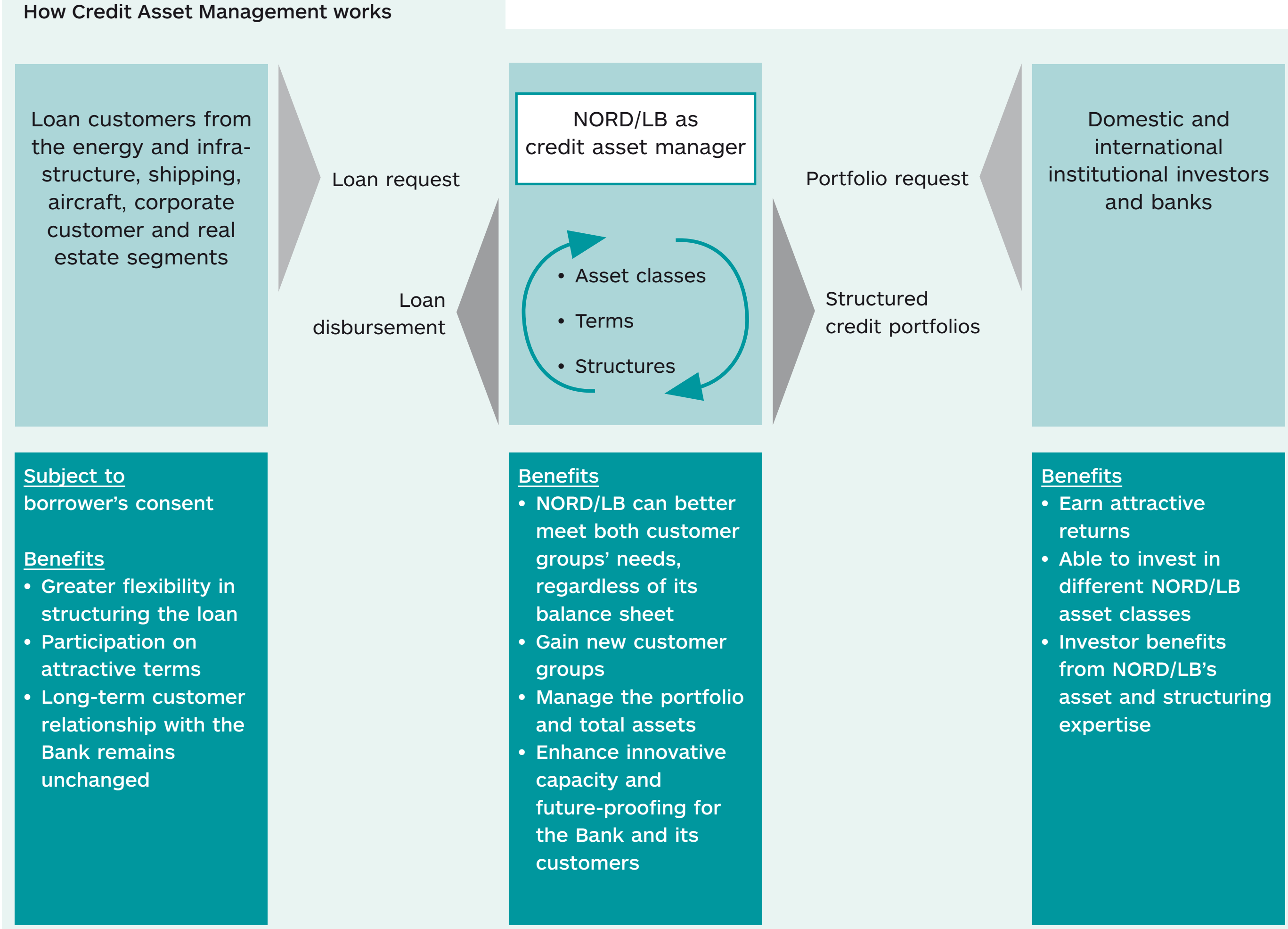
Why is a loan extended by NORD/LB of interest to investors?
“In the current low-interest-rate environment, many investors are asking themselves whether their investment universe is still adequate. In recent years, investor interest has increasingly turned towards so-called alternative assets. These are precisely the assets we hold on the credit side of the balance sheet in our core businesses such as aircraft and project financing and the real estate business. These are not so easy for third parties to acquire on the capital market. Direct market access and the corresponding know-how is needed.”

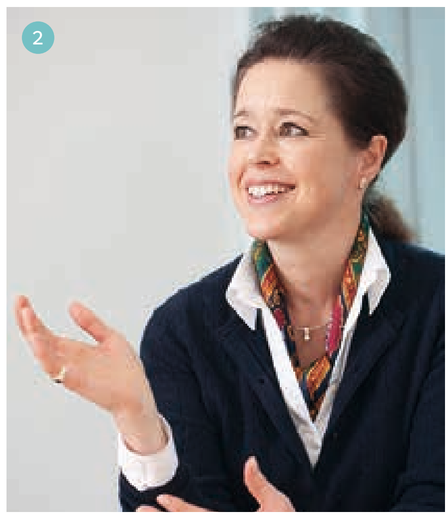
And NORD/LB has this know-how?
“Precisely. Not only can we deliver access to these assets through our primary market units, we also have the knowledge to handle these assets. And we have the appropriate investment format too.”

What do you mean by investment format?
“The exposure is available in its original form, as a loan. Or as a securitised asset, as a bond. Or as a unit in an investment fund. Many options are conceivable and possible.”

What is new about this concept for NORD/LB?
"The systematic, sustained approach focusing not on one-off transactions but rather on a change in the entire business model. We define the investor as a strategic partner. Our intent is not only to structure products, but to be a bank that can move the whole package. That also allows us to position ourselves at appropriate dimensions on the primary market, with respect to loan customers. At the same time we want to be a reliable partner that can sustainably supply certain volumes for banks, and through our subsidiary NORD/LB Asset Management for institutional investors. The two sides depend on each other."

How Credit Asset Management works





Marc Knackstedt,
NORD/LB Asset Management AG
Management Board member (1)

Ines Kreie,
Structured Solutions (2)

Oliver Bartholomäus,
Head of Asset Distribution (3)

Mohamed Ouaacha,
Asset Distribution (4)

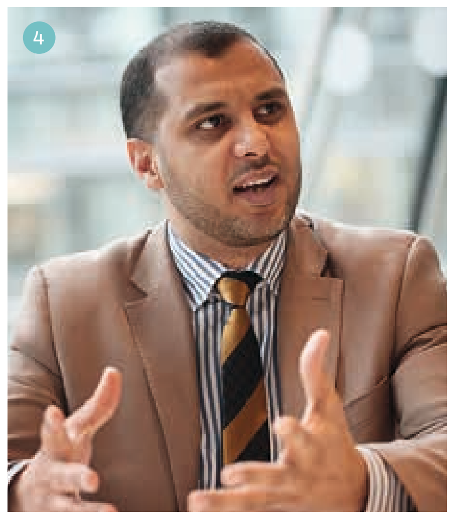
Sebastian Karger,
Head of Structured Solutions (5)

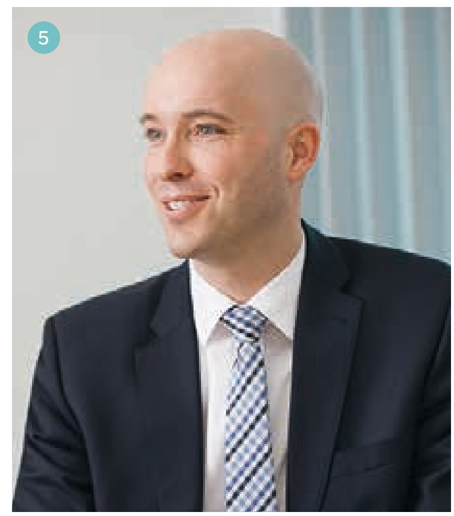
// *We serve as a link between credit markets and institutional customers. In addition, the Credit Asset Management division manages and optimises the Bank's loan book, including structuring and execution of portfolio transactions. (2)*

// *As a credit asset manager, NORD/LB brings its extensive knowledge in the fields of research, systematic lending, loan servicing and institutional asset management together in one place. In close collaboration with the established NORD/LB Asset Management subsidiary, the Bank will be a very strong player in this area. (1)*

The ideal partner: NORD/LB Asset Management

As the NORD/LB Group's asset manager, NORD/LB Asset Management AG has been providing a comprehensive spectrum of capital investment services for 15 years. With € 20.6 billion in assets under management and a € 14 billion portfolio of various investment classes under management, it is one of the market's established service providers. Its services range from passive management to individually tailored equity and annuity fund management, administrative capability via special funds, umbrella fund solutions, master capital management company and portfolio mandates. Together with the new Credit Asset Management division, both teams can address a wide range of customers and develop professional solutions for even the most challenging and specialised needs.





// *We know the market and can assess the risk, so we select excellent assets from our top-quality balance sheet for our customers and tailor them precisely to their needs. (4)*

// *To market assets from our lending business in the energy, infrastructure, shipping, aircraft, corporate customer and real estate segments to institutional investors worldwide, in addition to Hanover we have offices in London, New York, Singapore and Shanghai. (5)*

// *The new division has already enjoyed its first successes. For example, several aircraft loans were outplaced in the 2015 financial year. The current favourable market environment, in which insurers and pension funds in particular are showing an increased interest in this type of investment, is working in our favour. The long maturity of aircraft financing is an excellent fit for the generally long-term obligations of institutional investors. (3)*

Top freighter for Emirates

In 2015, aircraft financing for a Boeing B777-200LRF, the top freight aircraft on the market, was outplaced. The transaction was carried out jointly with two of the industry's "heavyweights": Dubai Aerospace is acting as leasing company for Emirates Airline, the biggest airline in the Gulf region, and is the biggest operating leasing company in the Middle East and Africa. The total financing volume of $ 190 million is in the form of a syndicated loan with a maturity of twelve years, with NORD/LB extending $ 15 million.

Always in motion in advancing traditional business lines.

SYSTEMATIC. DRIVE.

Taking a broader position in the shipping and aircraft market.

A safe berth for ship financing, a professional hub for the aircraft business – both have a long tradition at NORD/LB. We financed our first ship over 50 years ago. Our debut on the aircraft market followed in 1984. Especially in the shipping sector, we have since experienced eventful times together with our customers.

Our many years of experience have taught us that calm and collected countermeasures are the best way to navigate troubled waters. Frantically pulling on the rudder is not our way. Instead, we are keeping a critical eye on our portfolio and carefully turning a few calibration screws. Our aim is to achieve better diversification by entering additional segments in the coming years. In this way, we hope to become less dependent on individual markets.

We are also changing our focus in aircraft financing. As in the shipping business, we seek to occupy a broad space so that our portfolio better reflects the diversity of the global fleet than it has to date. In both business areas, we also plan to expand our activities geographically together with our customers, especially towards Asia.

95 %

of the EU's foreign trade is conducted by ship

SYSTEMATIC.

Always in motion in advancing traditional business lines.

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Course corrections keep business healthy.

Over 90 % of world trade is conducted by ship. Thus, shipping hardly lacks prospects. Nevertheless, market conditions in this complex segment are difficult. Since 2009, the global financial and economic crisis has had lasting impacts on business and has sensitised the markets. Moreover, economic growth is showing different trends in the world's key regions.

Long-term partner to the German maritime industry
In Germany, the maritime industry is one of the most important industries, with annual sales of some € 50 billion. NORD/LB, with its favourable geographical location, is a key financing partner in this area with deep-rooted industry expertise.

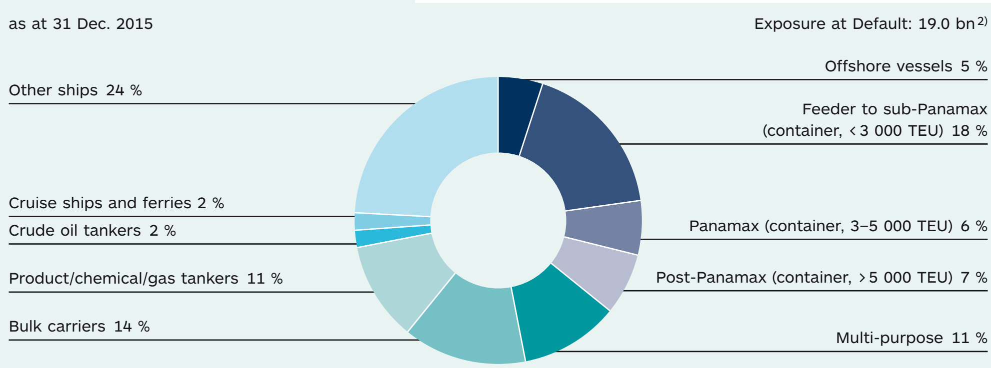
Our business with German shipping companies has long been a major pillar for us and remains so, both in our own climes and increasingly in international financing, primarily in Asia. With our branch offices in Shanghai and Singapore, we are well positioned here with a strong network in the market. We stand ready to further develop the business. At the same time, we are expanding the types of vessels we deal with in a targeted way.

Milestones in the shipping portfolio
Container ships and freighters currently make up nearly half of NORD/LB's shipping portfolio. Other types such as cruise ships, ferries and offshore vessels make up a comparatively small portion of the total. Following thorough market analysis, we will in future place a stronger emphasis on diversification by judiciously expanding our areas of business. For example, we will increasingly seek new business in the growing cruise segment and in special-purpose vessels in high demand.

Setting sail for growth in the cruise segment: NORD/LB is expanding its portfolio in this business area

Our objective: to improve risk quality while boosting the profitability of our shipping portfolio.

Composition of shipping portfolio[1]



1) Minor discrepancies may occur due to rounding.
2) Change in method of calculation due to resegmentation compared to 31 Dec. 2014.

NORD/LB finances luxury cruise ship
A current example of the expansion of shipping business activities is NORD/LB's financing of the luxury cruise ship "Silver Muse".

// The customer is the Monaco-based shipping company Silversea, which specialises in high-priced, luxury voyages.

// Fincantieri, Italy's largest shipbuilder, is building the 40 000-tonne vessel in Trieste.

// This luxury-class cruise ship will boast 596 cabin berths and is scheduled for completion in spring 2017.

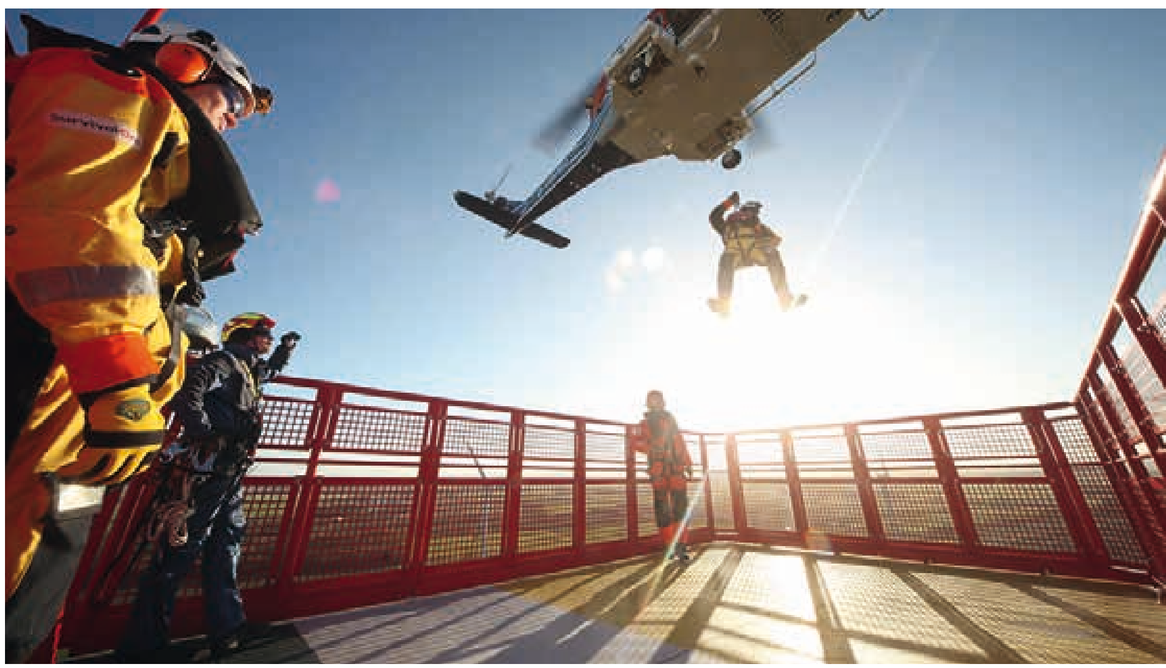
// We are supplying the complete financing volume of $ 293.5 million (approximately € 270 million) together with France's BNP Paribas, Italy's Unicredit and Germany's KfW IPEX-Bank.

// NORD/LB's portion of the financing will come to roughly $ 73 million.

// The Italian export credit insurer SACE will provide a default guarantee for the full financing term, significantly reducing the risk exposure of the financing banks.

Take-off for new business areas.

An offshore wind farm in the North Sea: far out on the open sea, a helicopter carries a service technician over metre-high waves to one of the many wind power installations reaching towards the sky. This is just another workday in an era of expanding offshore wind power.



High above: NORD/LB's first helicopter financing is testimony to the aircraft financier's broad base.

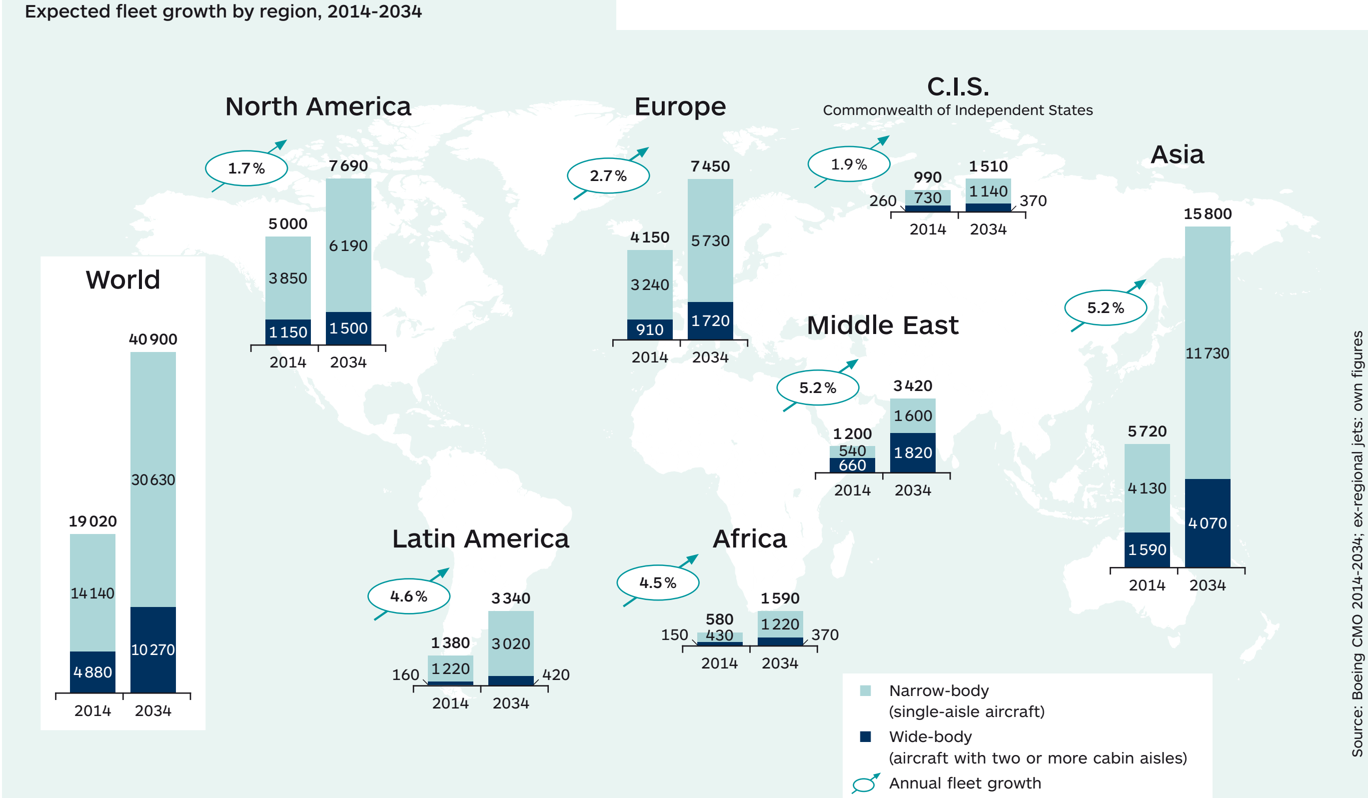
Helicopters for the growing offshore industry
Generating energy from wind has become a powerful industry. In Germany alone, offshore wind power capacity in 2015 was more than triple the previous year's figure. Many more wind farms are under construction or planned worldwide.

Thousands of already installed wind turbines require regular maintenance – and the work is often done with the aid of helicopters. This is precisely the service that, for example, HeliService International GmbH offers customers such as offshore companies and grid operators. HeliService International leases helicopters from Silverstrand Aviation, which belongs to LCI Helicopters Limited. In 2015, NORD/LB executed its first transaction for Silverstrand Aviation, financing two AW139 helicopters for use in offshore service flights on the North Sea. The total volume was \$ 20.1 million and € 4.4 million.

NORD/LB in new territory
This was NORD/LB's first ever helicopter financing transaction. The project takes us into new territory in two respects. As an experienced financier of wind farm projects, with special helicopters for the offshore industry, we are entering an additional segment in this industry, thereby increasing our commitment to and expertise in an existing NORD/LB business area.

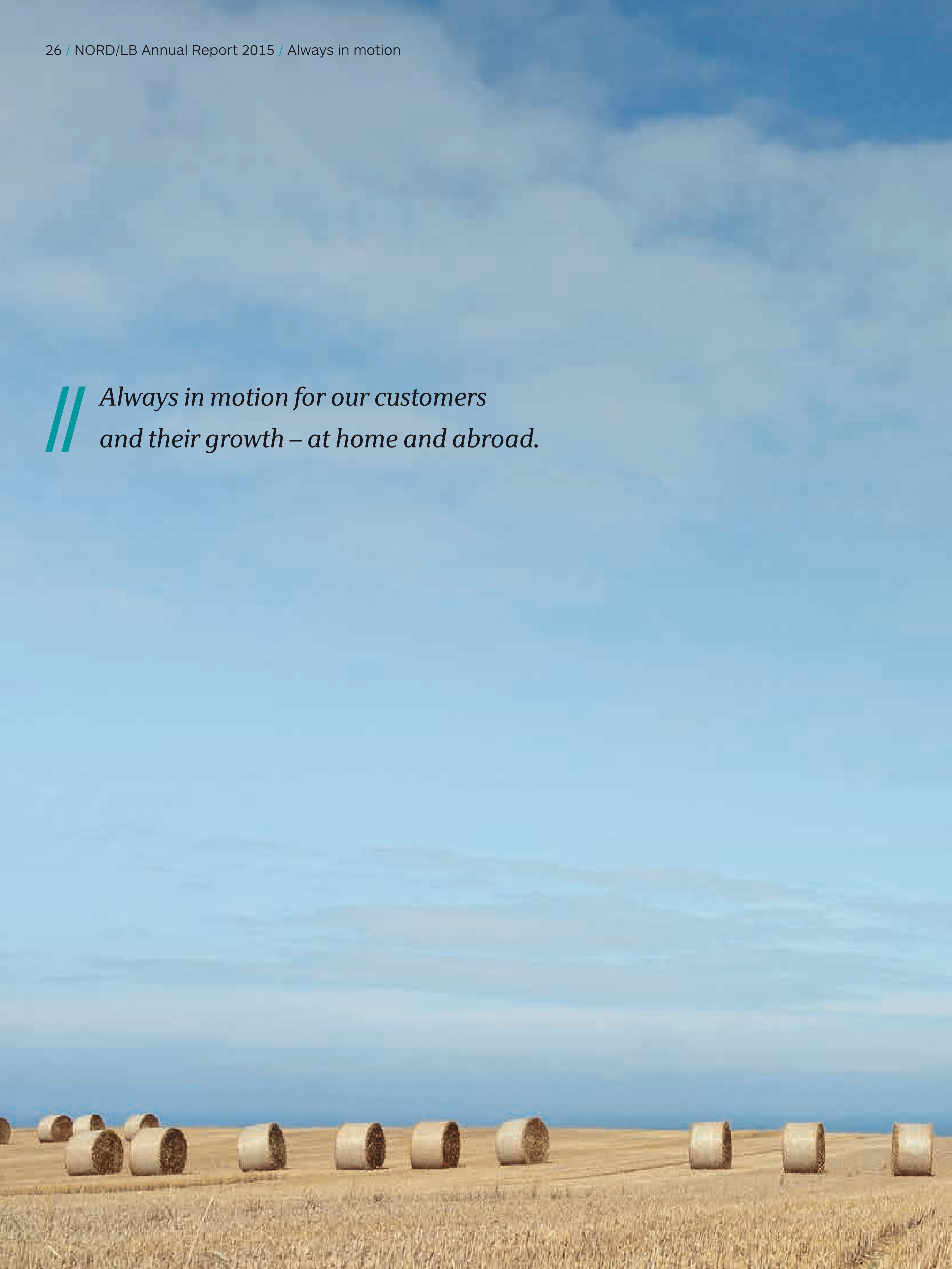
In addition, the transaction is an example of how we are expanding our aircraft financing portfolio. Whereas our previous projects have generally involved standard passenger and freight aircraft, the fleet we finance now stands on a broader basis. This opens up prospects for us to participate even more strongly in aviation growth markets.

Expected fleet growth by region, 2014-2034



The aircraft financing growth market
Annual fleet growth is forecast each year until 2034 in every region of the world, most notably in Asia and the Middle East. Overall, the global fleet will nearly double in just under 20 years.

Always in motion for our customers and their growth – at home and abroad.



DETERMINED. ADVANCEMENT.

+54 %

earnings growth in the corporate customer business in the past five years

We grow with our customers – and their responsibilities.

Our very name clearly reveals NORD/LB's origins. But that does not mean that our business has been limited to Northern Germany for a long time now. We are there throughout Germany for our corporate customers – most of which have traditionally been SMEs, often market leaders in their respective segments. We have always felt a strong connection with SMEs and will continue to focus on supporting them as partners.

+28 %

new business in 2015 in the renewable energy segment

To provide even better support throughout Germany for our customers, we have opened NORD/LB branch offices in Munich and Stuttgart in the past two years. This not only brings us closer to the southern locations of our North German customers, but also provides a place where potential new customers in those regions can approach us. After all, a financing specialist's industry expertise does not end at the state border – it remains attractive and in demand throughout the country for projects in areas such as agriculture and housing, fields in which NORD/LB is known for sound expertise and many years of experience.

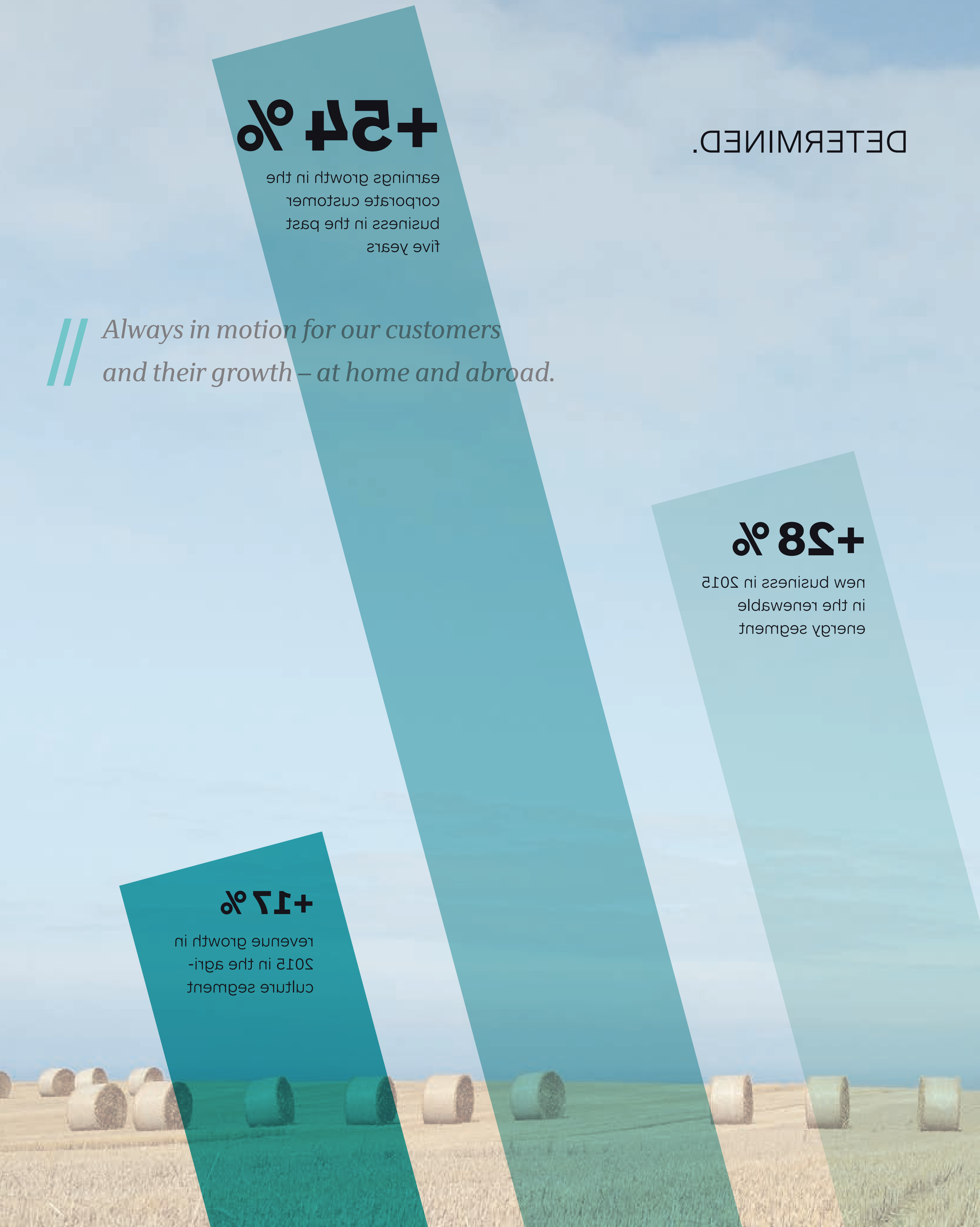
We also support our customers far beyond Germany's borders. Their expanding entrepreneurial journeys carry us together across oceans and to other continents. When projects are planned and executed worldwide, we are there. In emerging regions such as Asia, NORD/LB expertise is also available locally. International branch offices in Singapore and Shanghai reduce travel distances and foster regional contacts.

+17 %

revenue growth in 2015 in the agri-culture segment

DETERMINED.

Always in motion for our customers and their growth – at home and abroad.



ADVANCEMENT.

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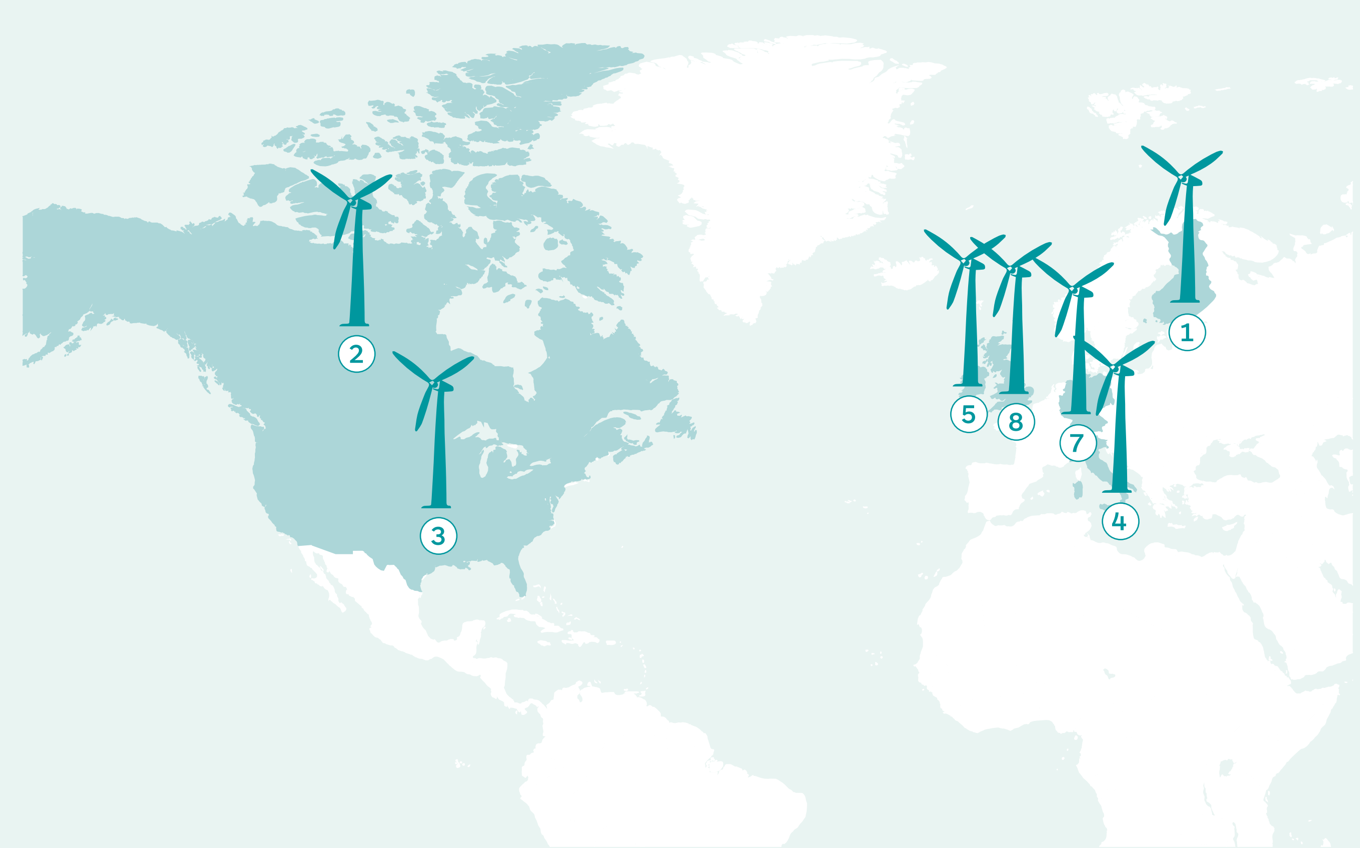
Tail winds for renewable energy.

Shoulder-to-shoulder with our customers, we have grown from being the wind energy pioneer in Northern Germany to become a specialist in the field. By financing the first German wind farms on the coasts, we were able to help shape a piece of the future, long before talk of Germany's energy policy reversal began. With each new wind farm, the segment gained in professionalism at NORD/LB. In this way, we achieved a leading position in the fiercely contested renewable energy market.

Today, we bring our capabilities to bear on wind farms throughout Europe and are entering new markets. 2015 was another successful year in which we acted as a driving force for the expansion of renewable energy production with numerous project financing transactions, including some which we financed exclusively. This confirms a current ranking from the renowned trade publication IJ Global: with 41 transactions in 2015, NORD/LB holds fourth place worldwide in the category of Mandated Lead Arranger Renewables, making it the best-ranked German institution.

Wind farm financing

Number of projects



150 megawatts in the Philippines: the Burgos Wind Farm, co-financed by NORD/LB, is currently the biggest wind power project in Southeast Asia.

First NORD/LB wind farm project in Asia

Although we know the renewable energy business like the back of our hand, financing the Burgos Wind Farm was unexplored territory for NORD/LB. This was the first time project financing in this area had taken us to Asia, more specifically to the Philippines.

There is currently strong demand here for generating capacity to achieve greater energy independence. Energy Development Corporation (EDC), the Philippines' former state oil company which was privatised in 2007, is therefore expanding its renewable energy portfolio. This strategy is a perfect fit for NORD/LB's expertise in wind power. As a result, we took on a portion of financing for the 150-MW wind farm project in Ilocos Norte, which also involves construction of a 115-kV transmission line. The wind turbines will be supplied by Vestas, the world's leading manufacturer and also a long-time NORD/LB customer.

Out of a total volume of $ 150 million, NORD/LB is providing a $ 36.9 million ECA facility and a $ 4.5 million commercial facility. Southeast Asia's biggest current wind power project was honoured with the Asia-Pacific Renewables Deal of the Year Award by Project Finance International in 2015.

Where tradition and high tech meet.

Long-term customer relationships are nothing unusual for NORD/LB – but they are always something special. Over the years, often decades, both sides experience the dynamics of both a business and an industry. Agriculture, for example, is developing at a breakneck pace. The rapid progress of technology in the field is giving rise to fundamental changes in work and processes.

The Derenburg farm in Saxony-Anhalt is a good example. The traditional farm operated by Klaus Münchhoff has worked with NORD/LB for 25 years. After reunification, we supported the re-establishment of the Derenburg farm by financing equipment. To this day, we continue to support the farm, by financing purchases of arable land among other things. Most recently, a new grain store was erected with financing aid from NORD/LB.

Above all, computer-aided agriculture means: conserving resources and reducing costs

Derenburg – a farm with a history

Klaus Münchhoff's family has lived in Derenburg since 1820. His great-great-grandfather established the current farm in 1870–71. After World War II and the collectivisation of agriculture in the GDR, the farm was destroyed in 1953. The owners fled to West Germany to avoid imminent arrest in the East. The family farm was re-established on 1 July 1991.

“On the same page in a complex business”

Mr Münchhoff, when you compare your business 25 years ago with today, what has changed?
First of all the 450 hectares of land we owned or leased has more than doubled to 1 000 hectares. How we cultivate this land is completely different from 25 years ago. In 1991, we still had quite ordinary tractors. Today, our tractors are equipped with computers and screens, are automatically guided across the fields with extreme precision by GPS and even have their own e-mail address. If I had told someone that back then, they probably would have said I was crazy.

So what do you send your tractors by e-mail?
We feed the tractors data, about basic soil nutrient content, for example. The tractor needs to know that to apply fertiliser as efficiently as possible. This is all part of the concept of site-specific crop management. First of all, this takes data and analyses of every site that are combined in a soil map. Compiling this dataset involves a large one-time effort, but brings lasting benefits for cost- and resource-efficient work.

What does this look like in practical terms in the fields?
The GPS steering helps us significantly reduce track overlap. For one trip back and forth, that may not make much difference, but over 1 000 hectares, it adds up to significant savings in travel distance, which are reflected in fuel consumption. The smart technology also yields savings in seed, pesticide and fertiliser use. Our fertiliser spreader is steered by sensor technology and responds precisely to the growth conditions of the crops being fertilised, so that we only fertilise where it’s needed. That brings financial benefits for the farm and also helps protect the environment.

How have these changes affected financing?
I’ve always valued working with a bank that understands the cyclical business of farming. That’s why we’ve been working for so long with NORD/LB. My contacts there have a farming background themselves, so we’re on the same page and don’t have to explain things so much. And since the technology and the business are becoming increasingly complex, this aspect is gaining in importance.

Highlights.

Looking back at a successful financial year: Major transactions, decisions and events – a selection of the highlights from 2015.

NORD/LB supports Fürstenberg Castle

For its 250th anniversary, NORD/LB is joining Braunschweigische Landessparkasse in donating some € 4 million for the modernisation of the Fürstenberg castle complex. The banks' contribution is part of a plan to strengthen one of the tourist highlights of the Weserbergland.

250 years of NORD/LB

NORD/LB celebrates its 250th anniversary in Hanover with a ceremony, with some 400 guests from the business community, banks, savings banks, government and society. Speakers include Lower Saxony's Prime Minister Stephan Weil and Finance Minister Peter-Jürgen Schneider.

Research team recognised

NORD/LB's research unit again took a top position in an international ranking. NORD/LB occupied seventh place in the Covered Bonds & Pfandbriefe category of the Fixed Income Research Survey 2015 by the renowned financial market magazine Euromoney.

Real estate fund for institutional investors

NORD/LB has achieved a successful launch of the HIH Top 7 Deutsche Metropolen Immobilien Invest commercial property fund. Within the first six months of the launch, with a volume of € 75 million the fund has placed over one-third of its equity with institutional investors and savings banks.

Financing a luxury cruise ship

NORD/LB is financing construction of a new cruise ship for Monaco-based shipping company Silversea. The total financing volume is $ 293.5 million (approximately € 270 million), of which NORD/LB is providing some $ 73 million.

NORD/LB finances wind farms in Italy

NORD/LB is financing two wind farms in southern Italy with a total capacity of 46.8 megawatts for Dresden-based WSB Neue Energien Holding. The total investment volume is roughly € 85 million.

NORD/LB's first helicopter financing

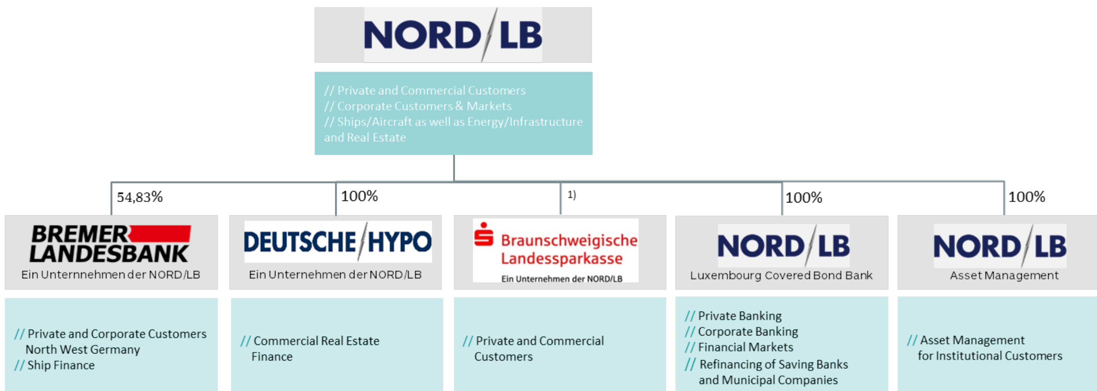
NORD/LB is financing the purchase of two Agusta-Westland AW139 helicopters to service North Sea wind farms for leasing company LCI Helicopters. The investment volume is over $ 30 million (approximately € 27 million). This is NORD/LB's first financing project in this asset class.

2015

Group Management Report

The Group - Basic Information

Overview of the Group



1) NORD/LB institute with partial legal capacity

NORD/LB Group's Business Segments	

Private and Commercial Customers	// Private and Commercial Customer Business
	// Corporate Customer Business and Private Banking Business
	// Insurance Payments

Corporate Customers	// Corporate Customer Business, Agricultural Banking, Housing
Markets	// Business with Institutional Customers, Savings Banks/ Financial Institutions and Public Sector Customers // Savings Banks Syndicate Business

Energy and Infrastructure Customers	// Financing of Renewable Energies
	// Infrastructure Finance
	// Leasing and Export and Trade Finance

Ship Customers	// Ship Finance
Aircraft Customers	// Aircraft Finance
Real Estate Customers	// Commercial Real Estate Finance // Finance for Community Interest Properties

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 Girobanks 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, Stuttgart, 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 Luxembourg),
- Deutsche Hypothekenbank AG
  (Actien-Gesellschaft), Hanover
  (hereafter Deutsche Hypo) and
- LBS Norddeutsche Landesbausparkasse Berlin-Hannover
  Berlin, Hanover (hereinafter LBS).

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

Business Segments

Private and Commercial Customers
The Private and Commercial Customers segment of the NORD/LB Group comprises a number of customer segments primarily in Northern Germany.

The following customer segments are managed in the following NORD/LB locations:

Location Segment	BLSK	NORD/LB Hanover	Bremer Landes-bank	NORD/LB Hamburg	NORD/LB Vermögensmanagement (Luxembourg) S.A.
Service Customers	X	X			
Branch Consultancy Customers	X	X		X	
Retail Corporate Customers	X	X		X	
Private Banking	X	X	X	X	X
Corporate Customers	X	X		X	

In Braunschweig and in the parts of the former Duchy of Braunschweig that are today part of Lower Saxony, BLSK performs the savings bank function in NORD/LB as an institute with partial legal capacity. In this function BLSK provides all kinds of banking and financial services and positions itself as a savings bank with the competence of a universal bank.

The product range in the retail segments is geared to 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 of primarily DEKA as well as all financial services including insurance, real estate brokering and building society savings.

In addition, the extended services in the high-end customer segments comprise the multi-award winning asset management of Bremer Landesbank, the tandem support for corporate customers in BLSK and in NORD/LB the business banking of Bremer Landesbank and support for customers with international investments through NORD/LB Vermögensmanagement (Luxembourg) S. A.

In Private Banking and in the Corporate Customers segment the NORD/LB Group positions itself in the respective locations as the first choice in the market. The Private Customers segment of Bremer Landesbank represents with its asset and portfolio management in capital market business and with its asset management a competence centre in the Group.

Corporate Customers
The NORD/LB Group conducts its Corporate Customers business nationwide (excluding the business region of BLSK). It comprises the Middle-Market Corporate Customers business, Agricultural Banking and Housing. At the same time NORD/LB acts as a partner to the savings banks and their corporate customers for syndicate business in the network region with an extensive product range. The Corporate Customers business of Bremer Landesbank focuses on companies in the North West of Germany and is a reliable and innovative financial services partner to its customers.

As a full-service provider, the NORD/LB Group 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, the NORD/LB Group 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.

Markets
Via the Markets segment, NORD/LB and Bremer Landesbank provide market access for the Financial Markets activities performed on behalf of customers. The segment is also responsible for the sales activities 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 promissory notes, 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 its 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.
For institutional customers, the NORD/LB Asset Management Group offers services in the NORD/LB Group for the administration and management of financial instruments. It concentrates in particular on investors from insurance companies, pension funds, foundations and banks (in particular savings banks).

Energy and Infrastructure Customers
This business segment summarises the global business relations of NORD/LB and Bremer Landesbank in the Infrastructure, Energy (in particular renewable energy) and Leasing divisions. The central locations of the segment are Hanover, Bremen and London, with support also being given to customers from the New York and Singapore branches. In this segment the NORD/LB Group 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. The NORD/LB Group 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.
In its leasing business (leasing of movable assets), the focus is on the Germany-wide refinancing of middle-market and bank leasing companies.
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 the NORD/LB Group's income and risk diversification. The widening of advisory and structuring services should sustainably increase commission income.

Ship Customers
The segment comprises asset-related ship finance and operates primarily from the offices in Hanover and Bremen, flanked by the branches in Hamburg, Singapore and (prospectively) New York and London. The many years of expertise in the 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 supplemented by a range of additional services so that the NORD/LB Group 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 segment's good position in the market. Active portfolio management and optimisation takes place with the use of suitable placement products and funding 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 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 is geared towards the needs of aircraft leasing companies and airlines. The product range includes established and innovative types of finance, focusing on operating leases and portfolio transactions. In additional 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
In the Real Estate Banking Customers segment, NORD/LB's and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community interest properties are aggregated.
The Real Estate Banking Customers segment mainly comprises the structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad. Professional

real estate banking customers make up the customer base. The segment finances office and retail properties, multi-storey residential properties, hotels and logistics properties. The focus of the Community Interest Properties segment lies in the financing of nursing homes.

The strategic target markets are Germany, UK, France, Benelux and Poland.

Within the segment, Deutsche Hypo acts as the competence centre for core business segment of Commercial Real Estate Finance. Due to its independent market presence, Deutsche Hypo has a clear profile in the real estate banking market and is responsible within the Group for new business acquisition in commercial real estate finance. NORD/LB no longer takes on new business involving commercial property. Within the NORD/LB Group, Bremer Landesbank acts as the competence centre for the financing of community interest properties.

The strategic objective of Commercial Real Estate Finance is to extend its structuring competence in direct business and expand the product range. The strategic importance of the Community Interest Properties subsegment is underlined by the demographic developments and the growing need for in-patient nursing.

Group Management/Others

All of the components subsumed here are directly related to the operational business. Staff divisions, Group divisions not included in the above-mentioned segmentation and consolidations are pooled in "Group Management/Others".

In detail, these concern in particular income for the entire bank which is not allocated to the segments due to their lack of influence over such income, such as investment/financing revenue (among others, revenue from investments), general loan loss provisions, non-allocated service centre costs, projects covering the entire bank, the profit/loss from financial instruments (in particular from central valuation effects), from financial assets, hedge accounting, other investments, consolidation items and expenses relating to the restructuring. Elements of other operating profit/loss such as the bank levy and certain provisions are also allocated to this segment.

The Financial Markets segments also reported here are responsible for controlling interest-rate, exchange rate and liquidity risks and 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 the NORD/LB Group's Asset Liability Committee.

Reconciliation

Components of comprehensive income presented differently in internal accounting and in the external income statement are separated in the reconciliation statement. The reasons for this reconciliation item are among others the reporting in different profit and loss items in internal and external accounting and the allocation of revenues and expenses to different accounting periods. Residual values which can only be differentiated with unreasonable cost and effort and allocated to the operational segments, are also included here.

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 object-based financing approach for complex assets such as ships, aircraft and commercial real estate, which, besides providing high collateralisation rates and protection against inflation, also provides opportunities for funding with assets that can serve as collateral (e.g. Immobilienpfandbriefe and 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 and Real Estate Banking Customers on the one hand and business activities with granular risk structures in business with 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 the NORD/LB Group is to improve the Return on Equity (RoE) to over eight per cent and at the same time keep the cost-income ratio (CIR) at 50 per cent. In addition to meeting the economic goals, focus will also be placed on meeting regulatory requirements and in particular on improving the Common Equity Tier 1 capital ratio.

- **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 below 80 per cent and a RoRaC of around ten 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 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 around 14 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 of the bank, but has a cross-segment function especially 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 munipalities. 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 50 per cent and a RoRaC of around 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. The measures to achieve the strategic goals for 2020 should counter the shipping crisis. A positive result and a CIR of below 30 per cent are planned.

- **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 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 around 20 per cent.

- **Energy and 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. The focus is on building wind parks and solar/photovoltaics and biogas plants. Renewable energies 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 structuring services should sustainably increase commission income. All of these measures should result in a CIR of below 40 per cent and a RoRaC of around 15 per cent.

- **Real Estate Banking Customers**: In order to round off and stabilise the business portfolio, the NORD/LB Group has a Commercial Real Estate Finance segment, which was strengthened in 2007 by the acquisition of the Hanover-based Deutsche Hypothekenbank. In Commercial Real Estate Finance the objective is to expand its structuring competence in direct business and raise its profile as a provider of real estate expertise in developing capital market offers for institutional investors. The strategic goal for 2020 is to achieve a CIR of below 30 per cent and a RoRaC of around 14 per cent.

Outline of the Control System

The NORD/LB Group'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 earnings before taxes.

Definitions of the key control indicators:

Return on equity (RoE)	Earnings before taxes / Long-term equity under commercial law Long-term equity under commercial law = reported equity – revaluation reserve – earnings after taxes
Return on risk- adjusted capital at segment level (RoRaC)	Earnings before taxes / committed capital of the higher of the total risk exposure amount limits and the amount called on
Cost-income ratio (CIR)	Administrative expenses / Total earnings including balance of other income and expenses

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

The following description of risk management and the extended risk report were prepared based on IFRS 7. Furthermore, the provisions of the more specific German Accounting Standard DRS 20 are taken into consideration.

The Group risk report contains parts of the qualitative risk reports of the NORD/LB Group in accordance with the Capital Requirements Regulation (CRR), insofar as they supplement requirements under commercial law. More detailed regulatory reporting is in a separate disclosure report which is published on the NORD/LB website at www.nordlb.com/investor-relations/reports/.

The risk report covers all the companies included in the basis of consolidation under commercial law in accordance with IFRSs and also includes special purpose entities (SPEs) in accordance with IFRS 10. Consideration of the principle of materiality results in a deviating scope of application. The group of significant companies included in the quantitative risk reporting is defined in a multi-stage process which is described in the section "Investment Risk - Management". In the NORD/LB Group, quantitative risk reporting on the basis of individual risks is based on the significant Group companies from a risk point of view. These include

- the parent company NORD/LB and the subsidiaries,
- Bremer Landesbank,
- NORD/LB Luxembourg S.A. Covered Bond Bank (hereafter NORD/LB Luxembourg) and
- Deutsche Hypo.

Based on the total of the financial instruments in the Group, these four companies (significant Group companies from risk point of view) account at the time of the audit for a share of more than 95 per cent. From the point of view of the entire Group, the contribution of the other companies to specific risks is insignificant. Risks concerning these companies are treated as investment risk and explained by a qualitative report on investment risk.

The audit of the significant Group companies from a risk point of view considers both the consolidated companies in accordance with IFRS and the companies included in the regulatory basis of consolidation. Group is the term used below to describe both the group in accordance with IFRSs and the regulatory group.

In general the management approach is applied for risk reporting: internal and external risk reports are always based on the same terms, methods and data.

General 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 the NORD/LB Group. Risk management is primarily based on the controlling of risks.

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

The NORD/LB Group conducts at least once a year 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 the NORD/LB Group. 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 Group'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 and real estate risk. All material risk types are controlled by the NORD/LB Group'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 comprises both risks and the capital available for covering these risks.

For NORD/LB Luxembourg, the corresponding regulations of the Luxembourg Financial Supervisory Authority CSSF (Commission de Surveillance du Secteur Financier) apply and are complied with by the institutes concerned.

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.

With effect of 31 May 2015 (effective date of the merge) and with retrospective effect of 1 January 2015 for accounting purposes, NORD/LB Luxembourg Covered Bond Bank was created by the merger of Norddeutsche Landesbank Luxembourg S.A. with NORD/LB Covered Finance Bank S.A.

Strategies

The responsible handling of risks is the uppermost priority in the business policy of the NORD/LB Group. The Group risk strategy, drafted with this in mind, overrides the risk strategies of the significant companies of the NORD/LB Group from a risk point of view. With regard to the organisation of risk management and the risk sub-strategies, the Group risk strategy is substantiated in the risk strategies of the significant companies from a risk point of view taking into account the respective business models.

The risk strategies of the significant Group companies from a risk point of view are in each case defined in accordance with the business model, the business strategy and the Group risk strategy policy and are reviewed at least once a year and as and when required. All risk strategies contain 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 the NORD/LB Group it was conservatively determined that normally in a going-concern scenario as the primary control group at most 80 per cent of the risk capital 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 strategies on the basis of the RBC model. Most of the cover pool is allocated to credit risk, reflecting the NORD/LB Group's focus on customer-oriented lending business. The individual institutes are responsible for determining the allocation relevant for them, although this must be consistent with the allocation for the Group.

The risk strategies aim to achieve the efficient management of all material risk types and to achieve the transparent presentation of these risks to the management, the supervisory bodies and other third parties with a justified interest. Based on this, the significant companies of the NORD/LB Group from a risk point of view have 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 the NORD/LB Group's risk manual and in the risk handbooks and relevant documents of the individual companies.
Furthermore, the NORD/LB Group 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 Group's risk management lies with the Managing Board of NORD/LB. The Managing Board coordinates the 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 and Deutsche Hypo. After the Group risk strategy has been passed by the Managing Board of NORD/LB, it is 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 Group risk strategy. This includes the monitoring of material risks including the risk reporting at Group level. At individual institute level responsibility lies with the respective Managing Board member or the risk officer.
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 the NORD/LB Group and NORD/LB.
Operational risk management is performed decentrally in the Group companies. In order to ensure the greatest possible comparability with regard to the assessment, monitoring, controlling and reporting of all material risks, the instruments used for this purpose are agreed with the significant institutes from risk point of view.

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

- **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 from a risk point of view, supports the institute-wide control.
- Methods Board: In the Methods Board 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 and Deutsche Hypo. Further participants are invited when required. The GRC supports the respective 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 Division, Finance Division and the significant subsidiaries from a risk point of view 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 for example the Asset Liability Committee (investment strategies).

The structure and organisation of risk management at the NORD/LB Group meets the Minimum Requirements for Risk Management. The process of risk management is subject to constant review and improvement. Possible adjustments cover organisational measures, adjustments to procedures for quantifying risk and the continuous updating of relevant parameters.

The risk-oriented and process-independent audit of the effectiveness and adequacy of risk management is carried out by the Internal Audit Divisions of NORD/LB and the subsidiaries. As an instrument of the Managing Board, they are 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 Group audit is carried out in addition to the internal audits in the subsidiaries. The focus is on the consistency of the subsidiaries' business and risk strategies with the business and risk strategy of the NORD/LB Group, Group-wide risk-bearing capacity, structures, procedures, risk management processes and risk control processes within the scope of Group-wide risk management, Group reporting, Group accounting, finance and risk reporting to the Konzernvorstand the effectiveness of the subsidiaries' Internal Audit departments. The scope, objectives, tasks, role and instruments of the Group audit are defined in the Group Audit Policy.

The treatment of new products, new markets, new sales channels, new services and their variations is regulated decentrally in the new product process (NPP) in the significant individual institutes of the NORD/LB Group from a risk point of view taking into account the respective conditions. There is close coordination between the institutes regarding the implementation of NPP.

The essential aim of NPP is to identify, analyse and assess all potential risks for the NORD/LB Group 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 management is provided in the sections below on structure and organisation by risk type. These sections describe the structures and processes of NORD/LB's risk control in detail. Significant deviations in the subsidiaries are then described separately.

Risk-bearing capacity model

The RBC model constitutes the methodical basis for monitoring compliance with the NORD/LB Group's risk strategies. This monitoring is carried out at Group level by NORD/LB's Finance and Risk Control Division and by the respective risk control divisions at individual institute level. NORD/LB's Finance and Risk Control Division is responsible for the overall control and development of the Group-wide RBC model.

The aim of the model is to aggregate and duly present the bank's risk-bearing capacity at both institute and Group level. The monitoring and reporting process is conducted regularly and guarantees that the responsible bodies are promptly informed about risk-bearing capacity situation of the significant Group companies from a risk point of view and the NORD/LB Group as a whole.

The NORD/LB Group'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 of the individual institutes and the Group.

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 the NORD/LB Group'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. The gone-concern scenario considers a higher confidence level from a risk potential point of view of 99.9 per cent and compares the corresponding economically-calculated risk potentials 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 scenario 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 consideration of risk-bearing capacity taking into account the allocations of risk capital in the Group 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 the NORD/LB Group. 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 and the risk-bearing capacity reports (RBC reports) prepared in the subsidiaries on at least a quarterly basis constitute the key instrument for the internal reporting of risks at Group and individual institute level to the respective Managing Board and the supervisory bodies. 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 Boards of the institutes subject to the Covered Bond Act (Pfandbriefgesetz) are also informed about risks relating to Pfandbrief on at least a quarterly basis. These reports prepared at individual institute level meet the requirements of § 27 of the 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.

Strategy

For the NORD/LB Group lending business and the management of credit risks is a core competence that is to be permanently developed and extended. The NORD/LB Group sees itself as a reliable universal bank focusing on lending 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. The NORD/LB Group 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 the NORD/LB Group's loan 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.

The NORD/LB Group focuses regionally mainly on domestic business. Its foreign lending business focuses on developed countries and selected emerging markets. Regional concentrations are deliberately realised outside of Germany in the USA, UK and France. In accordance with the business strategies of the NORD/LB Group and NORD/LB, the focus in industries is on commercial shipping, aircraft, energy, the automotive industry (including automotive banks), real estate and the continually reducing portfolios of banks, which are 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 Ship 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 reduce 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 the NORD/LB Group'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 decides 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 authority 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 the regulatory reporting, and it is also where method-related responsibility for procedures relating to the economic quantification of counterparty risk lies.

At Bremer Landesbank independent back office tasks are carried out by the Back Office Financing department. In addition to casting a second vote, it verifies and stipulates rating levels, verifies collateral values, processes and supervises of debt restructuring and work-out exposures and risk provisioning, and shapes the policies and procedures for the lending business. Exposures beyond the scope of rating categories 1 to 8 are supervised more intensively or are handed over for restructuring to the unit bearing the same name. This unit is principally responsible for deciding on how an exposure is to be monitored in future or whether it is to be cancelled and coercive measures are to be implemented by a separate back office unit. The tasks relating to independently monitoring risks at portfolio level and to independent reporting are the responsibility of the Risk Control Division in the area of overall bank management and the Back Office Management group.

Risk management at NORD/LB Luxembourg is based on the concepts of NORD/LB and is regularly improved in accordance with commercial and regulatory criteria. Credit decisions are made in accordance with the back office vote of the authorised persons in the Credit Risk Management Division of NORD/LB Luxembourg. The independent monitoring of the portfolio is carried out by the Risk Control Division at NORD/LB Luxembourg. NORD/LB's SCM Division and the CRM Division of NORD/LB Luxembourg are responsible for monitoring loans requiring comment or debt restructuring.

The risk management of Deutsche Hypo is performed based on Group-wide standards and is the subject of continual development. The second vote for credit transactions is performed by the back office division Credit Risk Management. The exposures requiring debt restructuring are looked after by the SCM Division of Deutsche Hypo, either intensively with the goal of out-of-court restructuring or with defaulting counterparties also with the goal of realising collateral. The local risk control division monitors the risks of Deutsche Hypo at portfolio level.

Collateral

For the assessment of credit risks, in addition to the credit rating of borrowers or counterparties reflected in the rating, the customary bank collateral available and other risk reduction methods are of importance. The NORD/LB Group therefore accepts domestic and foreign collateral in the form of property and rights 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 the NORD/LB Group specify which fundamental types of collateral and the maximum loan which may be lent against it (lending limit). Sureties, credit collateral similar to sureties, assignments of receivables and other rights, chattel mortgages, real estate, receivables and other rights and collateral assignment of chattel are accepted as credit collateral. 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 in the NORD/LB Group, 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 the NORD/LB Group's risk-bearing capacity.

Securitisations

Securitisation is a further instrument available to the NORD/LB Group 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 transferred to other market participants (the NORD/LB Group as an originator) or additional credit risks are taken (the NORD/LB Group 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. The NORD/LB Group 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'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 "Northvest" 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 Bremer Landesbank originated a synthetic securitisation for a loan portfolio with an initial volume of € 2.145 billion from the asset classes renewable energies, corporate customers, community interest properties, commercial properties and ships. In order to hedge the credit risks that this entailed, a guarantee with an initial volume of € 106 million was concluded with a private investor with effect of the 16 March 2015. The term of the guarantee is for 12 years. The first loss tranche held by Bremer Landesbank totals € 10 million; to date it has not been utilised.

In the year under review Deutsche Hypo and NORD/LB Luxembourg did not enter into any new securitisation positions.

Securitisation positions held by the NORD/LB Group are mainly classified low risk and were reduced further in the period under review.

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 Group-wide 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 the NORD/LB Group 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.

The methods and procedures for risk quantification are agreed on between the risk control units in the significant group companies from a risk point of view in order to ensure standardisation throughout the Group. Risk management is performed constantly and decentrally in the Group companies.

In order to calculate equity capital required 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.

Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo have also received (taking into account the waiver option) authorisation for the relevant rating systems and approval to use credit risk mitigation techniques.

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 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 subsegments 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 the NORD/LB Group and 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).

At Bremer Landesbank the Managing Board is informed of credit risks within the scope of the

credit portfolio report. The credit risk report is prepared on a quarterly basis and supplements the monthly RBC report. The Managing Board also receives on a monthly basis a report on an individual borrower basis on intensive and problem exposures and a report to identify and monitor risk concentrations at the level of borrower entities (large exposure management).
For NORD/LB Luxembourg, the Finance and Risk Control Division prepares a detailed Credit Portfolio Report as part of the management information system for the Managing Board and the members of the Lux Risk Committee in order to make existing risks and risk concentrations transparent and to initiate measures where necessary.
Deutsche Hypo also prepares a quarterly risk report. This report informs the Managing Board and the Supervisory Board in detail about the bank’s risk situation.

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).

Strategy

Securing and improving the banks own market position is the primary motive behind the investment strategy of the NORD/LB Group. 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 the NORD/LB Groups 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 the customer-oriented business model of the NORD/LB Group. 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.
Group interests are maintained in relation to investments primarily by centrally specifying key business ratios or specific tasks. The aim is to ensure that the Group is effectively managed and that transparency is guaranteed for third parties.

Structure and organisation

Risks resulting from investments at various levels in the Group 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 all supervised centrally by the Investment Management unit or by the corresponding units in the subsidiaries. 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 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 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. The concept will also be implemented in subsidiaries with their own investments (Bremer Landesbank and Deutsche Hypo). The investments of the subsidiaries of NORD/LB Luxembourg are analysed by NORD/LB's 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 NORD/LB representatives or the supervising subsidiaries in the supervisory boards, advisory boards, shareholders' meetings, annual general meetings and owners' meetings as well as by means of holding operative mandates in the companies.
Generally all investments are monitored centrally by NORD/LB's Investment Management. However, some subsidiaries, in particular Bremer Landesbank, have their own Investment Management Department.
The Erweiterter Konzernvorstand the Konzernsteuerungskreise control all significant investments.

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 generally focus on loss events relating to investments. The further calculation is based on the Gordy model, which is used by the Basel Bank Supervisory Committee for aligning equity requirements within the framework of Basel II.
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.
At the level of the NORD/LB Group, all of the significant investments from a risk point of view are considered and integrated into the risk management system of the Group on the basis of quantified risk potential in accordance with the type of risk.

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 the NORD/LB Group's largest investments consolidated under commercial law to NORD/LB's Managing Board.
Information on the risk situation of the investments is considered on a quarterly basis in the Finance and Risk Compass by NORD/LB's Risk Control Division. Within this framework, Investment Management also reports on the profitability of the significant and important investments and on the risk situation on a portfolio basis.
In the significant subsidiaries from a risk point of view that have investments, corresponding re-

ports are also regularly prepared on the respective investments.

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.

Strategy

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

Trading activities relating to customer business focus on interest products. Here the NORD/LB Group 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 across the Group in significant credit-spread risks in the banking book. The NORD/LB Group generally 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 generally meets on a monthly basis at the level of NORD/LB and on a quarterly basis at the level of the NORD/LB Group. 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 NORD/LB's 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, the Finance/Taxes Division and the director responsible for the Finance and Risk Control Division also take part. The Group's ALCO also includes the representatives of the significant companies from a risk point of view. The measures passed by the Managing Board are implemented by the Bank Assets Allocation and Treasury divisions and the relevant units of the subsidiaries.

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.

The market-price risks of Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo are managed decentrally by the local trading and Treasury divisions. For the monitoring of risks, these companies have their own Risk Control units. The data is integrated into the reporting at Group level.

Control and monitoring

For the internal control and monitoring and limiting of market-price risks in the NORD/LB Group, Value-at-Risk (VaR) methods are generally employed for all significant portfolios. The VaR limit for market-price risks for the individual institutes 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 Risk Control units. Any losses are immediately added to the loss limits, hence resulting 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 respective Treasury Divisions, which plan for each institute the interest-rate, liquidity and currency risks from lending and deposit business in the banking book. The planning is generally 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 year under review the methodology and risk system in the NORD/LB Group were standardised. A unilateral confidence level of 95 per cent and a holding period of one trading day are used across the Group. At the end of each quarter NORD/LB also prepares a VaR calculation for the NORD/LB Group based on the above parameters 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 backtesting exceptions in NORD/LB in the period under review, which was mainly attributable to more volatile interest rates around mid-2015. The VaR model reacted with a delay to the increased volatility, with the result of an increased number of exceptions in the transitional period. 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, and 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.

Daily reports are also made to the responsible directors in the significant subsidiaries from a risk point of view.

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 funding conditions. The NORD/LB Group 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, funding 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 Group consideration is on the respective coming twelve months.

- Funding risk constitutes potential declines in earnings resulting for the NORD/LB Group from the worsening of the banks own funding conditions on 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.

Strategy

Securing perpetual liquidity for the NORD/LB Group is strategically essential. While traditional liquidity risk is principally hedged by maintaining a sufficient supply of liquid assets (in particular central bank eligible securities), refinancing 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 the NORD/LB Group primarily makes securities transactions in markets which have proven themselves to be sufficiently liquid even when they are under pressure.

In the Global Group Liquidity Policy the business policies for liquidity-risk management in the NORD/LB Group are specified. The individual institutes of the NORD/LB Group also have liquidity control policies which describe 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 public investors, which is in line with the risk-based orientation of the NORD/LB Group. The diversification of refinancing sources is also strengthened by Pfandbrief 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 maturity balance sheet to the Asset Liability Committee. It also reports to this committee on funding risk 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 funding 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.

The liquidity risks of Bremer Landesbank, the NORD/LB Luxembourg and Deutsche Hypo are managed decentrally by the local Treasury units and monitored by their own Risk Control units. In order to coordinate the decentralised units of the NORD/LB Group, information is regularly exchanged between the significant Group companies from a risk point of view to address both issues relevant to control in the Treasury Division and also model-relevant issues in the Risk Control Division.

Control and monitoring

The funding risk of NORD/LB and the significant subsidiaries from a risk point of view 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 funding 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 subcategories (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.

For control at Group level a Group liquidity maturity balance sheet is prepared. For this purpose all of the cash flows in euro and the translated foreign currency cash flows of the significant Group companies from a risk point of view are compiled in one overview. The liquidity maturity balance sheets are also prepared in the most important foreign currencies.

Assessment

The NORD/LB Group 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 of the Group, 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 funding 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 the NORD/LB Group 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 the NORD/LB Group. 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.

The NORD/LB Group 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).

Three lines of defence model

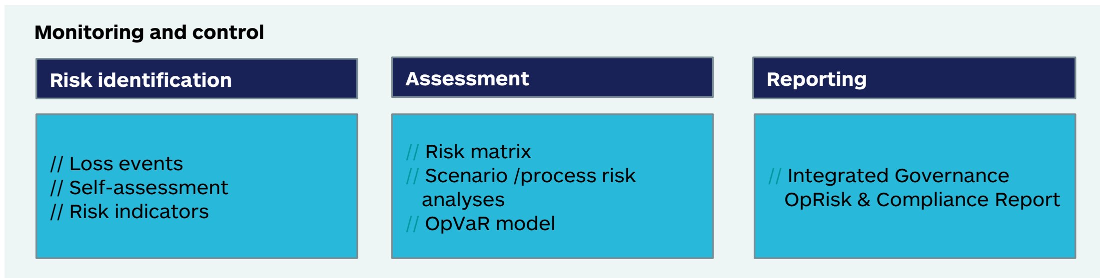
1st line of defence	2nd line of defence	3rd line of defence
// Decentral risk control in the divisions	// Central monitoring / control processes, in particular relating to risk management and compliance // Methodological framework	// Process-independent audit by Internal Audit

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, in the year under review a consolidated Governance, OpRisk & Compliance Report was introduced which has harmonised the reporting landscape significantly and resulted in greater transparency of operational risks. In addition, methods continued to be consolidated.

The NORD/LB Group 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. The operational risks of Bremer Landesbank, NORD/LB Luxembourg, Deutsche Hypo and NORD/LB Asset Management are managed decentrally. Control along the second line of defence is exercised based on a uniform framework of methods and in close coordination with NORD/LB.

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 self-assessment with the use of expert knowledge should help in the early identification of future developments. The assessment was redesigned in the year under review and now all of the questions relating to the second line of defence are consolidated 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 Group-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 in 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, reports are presented to 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 regular 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, the NORD/LB Group 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 regulations 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.

The NORD/LB Group’s insurance cover is adequate. 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 by the respective managers and their superiors in tests that are conducted throughout the bank. The testing is part of a control cycle that ensures the quality of the internal control system.

The NORD/LB Group’s accounting process is structured decentrally. The preparation of the annual accounts and the management report for the NORD/LB Group in compliance with legal regulations is the responsibility of the Finance/Taxes Division of NORD/LB. Many accountable facts are already recorded in the market and back office divisions in upstream systems of NORD/LB and its subsidiaries 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, its foreign branches and significant subsidiaries from a risk point of view are basically structured independently and they have their own accounting-related control processes.

The closing entries of all of the companies included in the consolidation are provided online and consolidated via a SAP module for business consolidation. The consolidation process is subject to a documented catalogue of controls. Manual processes are subject to the four-eyes principle.

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

The NORD/LB Group uses the standard approach of CRD IV (Pillar I) to calculate the capital adequacy requirement. The requirement as at 31 December 2015 totalled € 419 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. The NORD/LB Group 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

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.

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, the RepRisk 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.

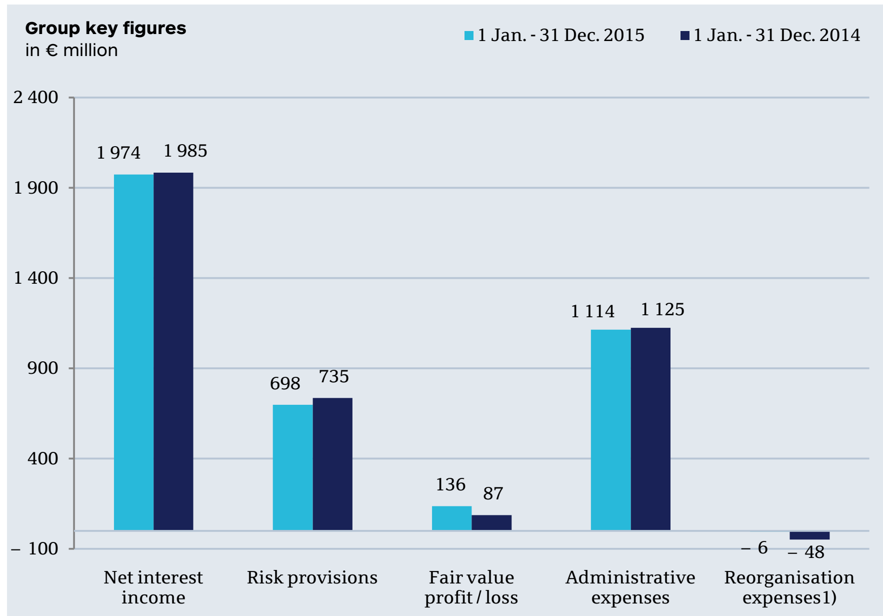
Economic Report

Key Results at a Glance

// Slight fall in net interest income due to continuing low level of interest rates in the money and capital market and reduction in total assets.

// Risk provisioning is slightly below the previous year, but is still affected by valuation allowances in the area of ship finance.

// Administrative expenses reduced further.

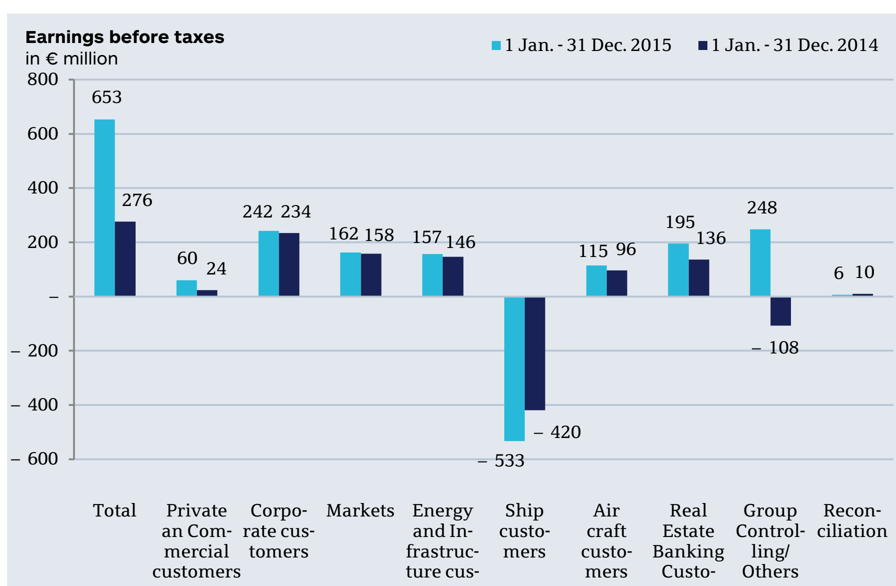


// Due to the good economic environment and a balanced business model, earnings before taxes rose to € 653 million.

// The result in the Private and Commercial Customers segment was well above the previous year's result. The deconsolidation of ÖVB had a significant effect.

// In the Energy and Infrastructure Customers segment, trading profit/loss experienced a very positive development.

// Significant increase in allocation to loan loss provisions in the Ship Customers segment due to the continuing crisis in the shipping sector.



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 3 per cent. In the USA, though, the economic recovery took hold, 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 largely 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 3 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 attributable to Germany only. Spain's economy has been growing very strongly for some time and achieved real economic growth of more than 3 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 here. In the last three months of 2015 economic output expanded moderately 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 -0.30 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 in 2015 from over 1.20 to most recently just 1.09 USD per EUR. The EUR/USD cross currency basis swaps have widened across the short and medium-term segment to just over -30 basis points.

Aircraft

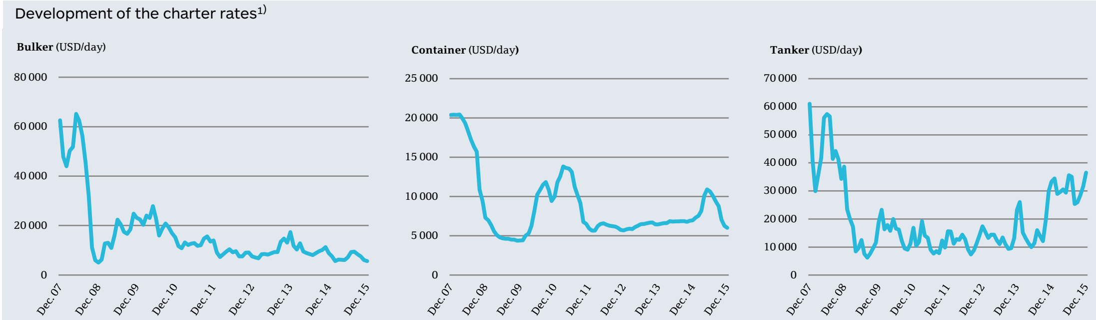
In 2015 air passenger traffic (RPK, revenue passenger kilometres) rose according to the IATA by 6.5 per cent compared to the previous year (YTD overall market). The growth rates were 6.5 per cent for international traffic and 6.3 per cent for domestic traffic. As in previous years, great regional differences 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 on the previous year. In 2014 FTK growth was on average 4.7 per cent, 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 been a record $ 33.0 billion in 2015 (2014: $ 17.3 billion). In particular 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

Development of the charter rates[1]



[1] 1) Source: Clarkson Research Services Limited 2015; ClarkSea Index: A weighted average index of 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 in December was below $ 40. 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 onto 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 all the more 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 only occurred 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 raising 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 (-1 per cent compared to 2014). The European commercial real estate markets achieved a transaction volume of around $ 267 billion. This equated to a slight reduction of 4 per cent compared to the previous year. Great Britain and Germany again recorded high demand for commercial real estate, because Germany with GDP growth and Great Britain 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 around € 55 billion and therefore a significant increase of 40 per cent compared to the previous year.

Finance sector

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, low interest rates and increasing regulation should be highlighted. In addition to this, the continuing digitisation 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 credit volume, despite the increase in demand for credit 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.

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 ratios, 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.
Capital was also taken on in several tranches in the NORD/LB Group in 2015:

- The NORD/LB subsidiary Bremer Landesbank has, in order to boost its regulatory capital and to widen the measurement base for the leverage ratio, taken on capital capital instruments in two tranches in the total amount of € 150 million; these capital instruments are chargeable as instruments of Additional Tier 1 capital. Part of this capital that has been taken on, around € 50 million, has also increased reported equity at NORD/LB Group level.
- In order to boost regulatory capital and 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 by NORD/LB.

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 NORD/LB reduced its total risk-weighted exposure 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 ratio for Common Equity Tier 1 capital was 9.25 per cent at the start of 2016 and will rise by the end of 2016 to 9.75 per cent. It includes the capital-maintenance buffer that has been required by law since the start of 2016.

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 art. 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. Luxemburg-Findel and Norddeutsche Landesbank Luxembourg S.A. were NORD/LB Luxembourg S.A. renamed Covered Bond Bank, Luxemburg-Findel.

IT roadmap

NORD/LB's IT is based on established and customary processes. Much of it is provided together with the Sparkassen 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.

Report on the Earnings, Assets and Financial Position

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

Earnings position

Supported by the good economic environment in Germany and the economic recovery in the eurozone, the NORD/LB Group, with its balanced business model, increased its earnings before taxes significantly in the year under review by € 377 million to € 653 million. The earnings position continues to be affected though by the continuing low level of interest rates and the challenging market environment in the shipping sector. The positive development in the earnings position is seen in almost every profit/loss position. The main driver is profit/loss from financial instruments at fair value through profit or loss including hedge accounting, which is affected by the development in the fair value option and the profit/loss from hedge accounting.

The profit/loss from financial assets has also risen due to lower impairments for debt instruments of HETA Asset Resolution AG and the positive effects on profit/loss of the sale of two investments. Only net interest income has stagnated and other operating profit/loss is below the previous year's level. Net interest income is influenced by the expansive monetary policy of the ECB. The fall in other operating profit/loss is due to the increase in expenses related to the EU bank levy compared to the previous year.

The figures for the income statement are summarised as follows:

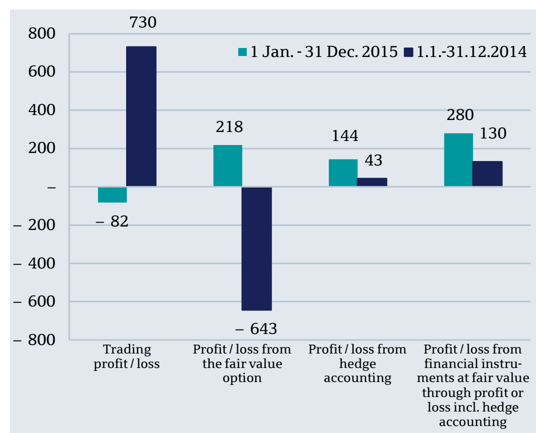
	1 Jan.-31 Dec. 2015 (in € million)	1 Jan.-31 Dec. 2014 (in € million)	Change (in %)
Net interest income	1 974	1 985	– 1
Loan loss provisions	698	735	– 5
Net commission income	234	185	26
Profit / loss from financial instruments at fair value through profit or loss including hedge accounting	280	130	> 100
Profit / loss from financial assets	72	– 3	> 100
Profit / loss from investments accounted for using the equity method	8	– 37	> 100
Administrative expenses	1 114	1 125	– 1
Other operating profit / loss	– 97	– 75	29
Earnings before reorganisation and taxes	**659**	**325**	**> 100**
Reorganisation expenses	– 6	– 48	– 88
Expenses for public guarantees related to reorganisation	–	1	– 100
Earnings before income taxes	**653**	**276**	**> 100**
Income taxes	135	71	90
Consolidated profit	**518**	**205**	**> 100**

Slight fall of € 11 million in **net interest income** due to continuing low level of interest rates in the money and capital market compared to the previous year to € 1,974 million. The fall in interest income of € 657 million is greater than the fall in interest expenses of € 646 million. The planned reduction in financial assets and the reduction in the volume of derivatives are behind the fall in interest income. On the expenses side, in particular the reduction in short-term liabilities to banks has contributed to the significant reduction in interest expenses from lending and money market transactions. The reduced volume of derivatives has also resulted in a reduction in interest expenses from financial instruments at fair value through profit or loss. Due to the planned reduction of assets, there was a lower funding requirement, whereby interest expenses for securitised liabilities also fell.

Expenses related to **loan loss provisions** decreased by € 37 million compared to the same period of the previous year to € 698 million. This is primarily due to the net reversal of general loan loss provisions in the amount of € 67 million, compared to a net allocation of € 19 million in the previous year. In addition, direct write-offs were reduced by € 13 million. The € 29 million increase in net allocations to specific valuation allowances and the € 21 million reduction in the net reversal of loan loss provisions had a negative impact on profit/loss. All of these effects are mainly attributable to ship finance.

Net commission income has risen significantly compared to the same period of the previous year by € 49 million to € 234 million. The increase is partly due to commission expenses from insurance business no longer being incurred due to the deconsolidation of Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig in the second half of 2014. In addition, commission income was also generated by the transfer of custody business to Landesbank Baden-Württemberg. Additional income was also generated with customer loans in securities syndicate business. A further positive effect was recorded in the initiation of loan and brokering business.

The **profit/loss from financial instruments at fair value through profit or loss including hedge accounting** was € 280 million and therefore improved by € 150 million compared to the previous year. This effect is primarily due to an increase in profit/loss from hedge accounting and diverging interest-rate curves (forward and discount curve). The € 812 million fall in trading profit/loss to € - 82 million has had a negative impact on profit/loss, while profit/loss from the use of the fair value option increased by € 861 million year due to inverse interest-induced effects compared to the trading profit/loss. The trading profit/loss was affected by the negative development in valuation gains/losses and realised profits/losses for debt securities and promissory notes as well as interest derivatives due to the increase in EUR interest rates compared to the previous year. Due to the reduced portfolio and the increase in valuation-relevant credit spreads, the valuation result for credit derivatives is less than in the previous year. The income from currency derivatives has increased primarily due to the widening of the EUR/USD basis spread.

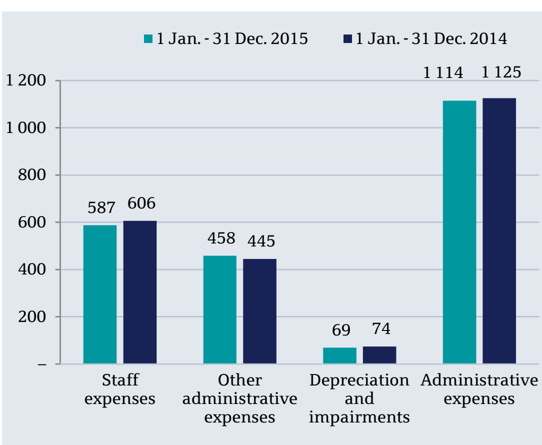


The **profit/loss from financial assets** is € 72 million and is therefore € 75 million above the previous year's figure. This is mainly due to a € 57 million increase in the profit/loss from Available for Sale (AfS) financial assets. The main driver here was the € 63 million reduction in valuation allowances. The sale of two investments generated a positive effect in the amount of € 30 million.

The **profit/loss from investments accounted for using the equity method** totalled € 8 million and is therefore € 45 million above the previous year’s figure. The development is due to the positive proportionate profit/loss from investments accounted for using the equity method and lower unscheduled depreciation.

Administrative expenses have fallen by € 11 million compared to the previous year. This development is mainly attributable to the reduction in staff expenses. The effects of pay rises were compensated for by the implementation of savings programmes. By contrast, expenses for pension and allowance provisions increased compared to the previous year due to the calculation interest rate expected at the start of the financial year.

A positive special effect was also recorded from the reduction in staff expenses due to the deconsolidation of Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig in the second half of 2014. Increased cost allocations and contributions due to the NORD/LB Group's obligation from 2015 to contribute to the security reserve for landesbanks and contributions to the ECB levy had a negative impact on profit/loss.



Other operating profit/loss reduced compared to the previous year by € 22 million to € - 97 million. The expenses included relating to the EU bank levy rose by € 21 million to € 52 million.

The **reorganisation expenses** of € -6 million comprises mainly net allocations made to reorganisation provisions as part of the efficiency improvement programme for contractual agreements already concluded as at the balance sheet date concerning the termination of contracts of employment.

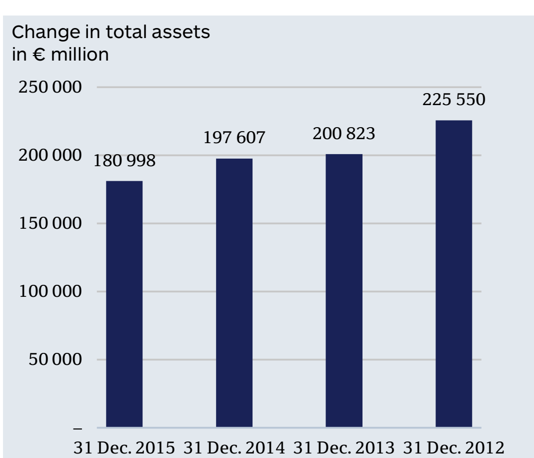
In the period under review no more **expenses for public guarantees related to restructuring** were incurred as the guarantees received from the states of Lower Saxony and Saxony-Anhalt were terminated in the second quarter of 2014.

Current **income taxes** were influenced significantly in the year under review by the transfer of responsibility for meeting most of NORD/LB's company pension obligations to Unterstützungskasse. Deferred taxes include one-time tax income for a foreign Group entity, as deferred income tax liabilities relating to previous years were released through profit or loss..

Assets and Financial Position

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances to banks	21 194	23 565	– 10
Loans and advances to customers	107 878	108 255	– 0
Risk provisioning	– 2 919	– 2 747	6
Financial assets at fair value through profit or loss	14 035	16 306	– 14
Positive fair values from hedge accounting derivatives	2 507	3 483	– 28
Financial assets	34 515	45 120	– 24
Investments accounted for using the equity method	290	318	– 9
Other assets	3 498	3 307	6
Total assets	**180 998**	**197 607**	**– 8**
Liabilities to banks	48 810	58 986	– 17
Liabilities to customers	60 597	57 996	4
Securitised liabilities	35 877	40 714	– 12
Financial liabilities at fair value through profit or loss	16 057	18 169	– 12
Negative fair values from hedge accounting derivatives	3 148	3 926	– 20
Provisions	2 428	2 846	– 15
Other liabilities	1 269	2 222	– 43
Subordinated capital	4 299	4 846	– 11
Reported equity including non-controling interests	8 513	7 902	8
Total liabilities and equity	**180 998**	**197 607**	**– 8**

Total assets fell compared to 31 December 2014 by € 16.6 billion. On the assets side this fall is primarily recorded in financial assets, loans and advances to banks and financial assets at fair value through profit or loss. The reduction in liabilities is due in particular to the reduction in liabilities to banks and the reduction in securitised liabilities.



Loans and advances to banks fell by € 2.371 billion compared to the previous year to € 21.194 billion. This change is mainly due to the € 2.917 billion reduction in other loans and advances, which is seen primarily in the reduction of promissory notes and in the reduction of receivables from purchased savings bank bonds. By contrast, loans and advances resulting from money market transactions increased by € 546 million.

Loans and advances to customers are still the largest balance sheet item at 60 per cent (55 per cent). Compared to the previous year, this item has reduced by € 377 million, which is mainly due to the reduction in public promissory notes in the area of other loans and advances. This is slightly compensated for the increase in loans and advances resulting from money market transactions.

Risk provisioning has increased compared to the reference date by € 172 million to € 2.919 billion, which is due to the increase in specific valuation allowances in the area of ship finance.

Financial assets at fair value through profit or loss comprise trading assets and financial assets designated at fair value and are, at € 14.035 billion, € 2.271 billion below the level of the reference date. The reduction is due to positive valuation and volume effects, which are also reflected on the liabilities side.

Due to the reduction in AfS financial assets as a result of the reduction in the total risk exposure, the balance of **financial assets** compared to the reference date has reduced by € 10.605 billion and now totals € 34.515 billion.

Other assets include assets held for sale in the amount of € 58 million (€ 56 million). **Liabilities to banks** have reduced by € 10.176 billion to € 48.810 billion compared to the reference date. The reduction is due mainly to the reduction in liabilities from money market transactions.

Liabilities to customers have increased by € 2.601 billion compared to the reference date to € 60.597 billion. The increase is due primarily to the increase in the sum of money market transactions. By contrast, a reduction in the balance of savings deposits has been recorded.

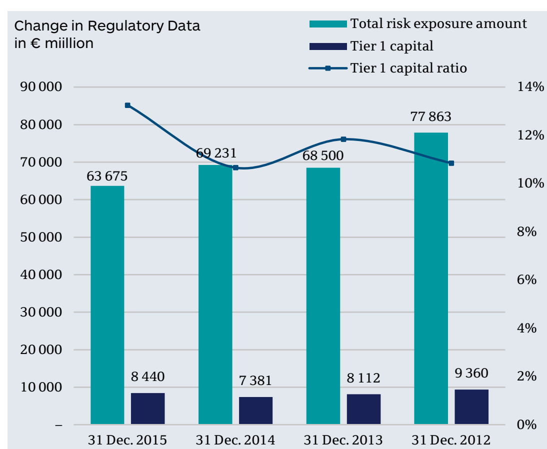
The reduction in **securitised liabilities** in the amount of € 4.837 billion to € 35.877 billion is due in particular to the reduction in liquidity reserves and maturities, which cannot be compensated for by the increased issue volume. **Liabilities at fair value through profit or loss** comprise trading liabilities and financial liabilities designated at fair value. Compared to the previous year there is a reduction of € 2.112 billion, mirroring valuation and volume effects on the assets side.

The € 418 million reduction in **provisions** to € 2.428 billion is due to the reduction in the net liability from defined benefit pension plans due to interest rates.

Other liabilities include liabilities held for sale in the amount of € 7 million (€ 6 million).

Subordinated capital reduced due to the disposal of bearer instruments and exchange rate effects in capital funded in USD by € 547 million to € 4.299 billion.

The € 611 million increase in **reported equity** to € 8.513 billion is due primarily to the consolidated profit and the revaluation of net liabilities from defined benefit pension plans. In addition, a bearer bond for € 50 million issued by Bremer Landesbank is reported under other equity components as this is to be classified as equity according to the International Financial Reporting Standards (IFRS).



Development of the Business Segments

The NORD/LB Group operates in the following segments:

- Private and Commercial Customers
- Corporate Customers
- Markets
- Energy and Infrastructure Customers
- Ship Customers
- Aircraft Customers
- Real Estate Banking Customers

Private and Commercial Customers

31 Dec. 2015 (in € million)	Private and Commercial Customers	Trend	Development
Earnings before taxes (EBT)	60	↑	- Significant improvement on previous year's result. - Net interest income significantly below the previous year due to deconsolidation of ÖVB in 2014. Without taking this effect into account, close to the previous year's level. - Allocations to risk provisioning well above previous year as reversals of specific valuation allowances were included in the previous year. - Net commission income significantly above the previous year due primarily to deconsolidation of ÖVB (non-recurrence of expenses for broker commission). - Profit/loss from financial instruments at fair value of minor significance for the segment. - Profit/loss from financial assets reported due to deconsolidation of ÖVB. - Contribution to profit/loss of ÖVB no longer reported in profit/loss accounted for using the equity method since 2015. - Significant reduction in operating costs due to the deconsolidation of ÖVB and reduction of the internal impact of overhead allocations due to efficiency improvement measures and the redistribution of allocated operating costs in NORD/LB based on a benchmarking of savings bank activities. - Significant improvement in other operating profit/loss compared to the previous year due to reversals of provisions.
Cost-Income-Ratio (CIR)	75.2%	↓	- CIR significantly better than in the previous year. - Increase in profitability due to deconsolidation of ÖVB and effective cost-cutting measures. - Fall in income less than fall in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	14.1%	↑	- RoRaC well above previous year. - Deconsolidation of ÖVB in the Private and Commercial Customers segment with positive effect due to non-recurrence of sums typical for insurance business.

BLSK's sales and branch network was reorganised in 2015. The background for this was changing customer needs in respect of accessibility, extension of business hours and faster processing of orders. Besides the establishment of a new branch concept in 14 locations with Öffentliche Versicherung Braunschweig (ÖVB), eleven further locations were restructured and for example converted into a self-service point. As a result the advisory competence was improved by concentrating the advisory capacity in the remaining branch locations. The establishment of a Customer Service

Centre (telephone branch) and the Online branch addressed customer needs for greater digitisation. 2015 also saw the 250th birthday of BLSK (based on the year one of its predecessors was founded). A range of anniversary events were held with private and commercial customers in BLSK in particular. Activities in the anniversary year included the funding of flagship projects, a tour through the business region of the savings bank with exhibition busses and the setting up of a foundation to promote quality of life in the Braunschweig region.

In addition, a foundation fund was set up together with NORD/LB Vermögensmanagement Luxembourg S.A., which enables foundation funds to be invested in the capital market in projects related to the Braunschweig region.

With effect of 31 December 2014 the Private Banking segment of the former NORD/LB Luxembourg was placed in an independent company, NORD/LB Vermögensmanagement Luxembourg S.A. The company is responsible for looking after the customers of the former Private Banking segment of NORD/LB Luxembourg and ensures that customer assets continue to be managed and investment advice continues to be provided at the same high level under the new name.

The NORD/LB Group has positioned itself very well in the area of asset management and in the Private Customer segment and again received several awards in 2015. Handelsblatt and the Elite-Report trade journal named Bremer Landesbank's Private Banking as one of the best asset managers in the German-speaking world for the 12th time in a row. An award was also received for the high quality of advice in the Private Customers segment. Here BLSK won for the fourth time in a row in Braunschweig the CityContest run by the Institut für Vermögensaufbau (IVA) in cooperation with Focus Money. BLSK's middle-market corporate customers business took first place in Salzgitter and Braunschweig in contests run by Focus Money and "Die Welt" newspaper.

Corporate Customers

31 Dec. 2015 (in € million)	Corporate Customers	Trend	Development
Earnings before taxes (EBT)	242	→	- Slight improvement in earnings compared to the previous year. - Net interest income well above the previous year's level due to the expansion of business with in particular the acquisition of new customers. - Much higher allocation to risk provisioning. Risk provisioning remains at a low level though. - Slight fall in net commission income due in particular to lack of fees relating to consulting and reports. - 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 in particular to higher internal overhead cost allocations. - Other operating profit/loss was not relevant for the result of this segment.
Cost-Income-Ratio (CIR)	35.5%	→	- CIR close to previous year. - Rate of increase in income similar to rate of increase in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	19.3%	↓	- Significantly 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 NORD/LB Group 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 of Germany, where it already had a sales office in Munich, and would like to see further growth. The Corporate Customers segment was internally restructured in Bremer Landesbank in 2015 in order to pool competences and focus more on the customer. Bremer Landesbank has extended its product ranges and since this year has offered its customers in the milk industry the opportunity to benefit through milk contracts from hedging opportunities in commodity futures.

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 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
Earnings before taxes (EBT)	162	→	- Slight increase in earnings before taxes. - Moderate fall in net interest income from security portfolios compared to the previous year due to the continuing period of low interest rates. - Risk provisioning is insignificant in this segment. - 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 much lower trading profit/loss. - Slight reduction in administrative expenses due primarily to lower material costs for IT/telecommunications. - Non-recurrence of a special effect from 2014 results in a significant reduction in other operating profit/loss.
Cost-Income-Ratio (CIR)	47.3%	→	- Slight improvement in CIR due to small increase in income and fall in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	35.8%	→	- RoRaC slightly above the previous year's level due to small increase in income.

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. Here focus was placed 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 3 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 an 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 Agreement for the Future II (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. NORD/LB Asset Management Group continued its business growth. Assets under administration rose by 10 per cent and assets under management by 13 per cent.

Energy and Infrastructure Customers

31 Dec. 2015 (in € million)	Energy and Infrastructure Customers	Trend	Development
Earnings before taxes (EBT)	157	↗	- Noticeable increase in earnings before taxes compared to the previous year. - Moderate positive development in net interest income due to business growth. - Allocations to risk provisioning in 2015 compared to slight reversal in 2014 result in a significant increase in risk provisioning. - Slight increase 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 in NORD/LB (2014 negative). - Noticeable increase in administrative expenses due in particular to higher staff expenses and internal overhead cost allocations. - Other operating profit/loss of minor significance for the result of this segment.
Cost-Income-Ratio (CIR)	35.2%	↘	- Noticeable improvement in the CIR due to increased income and relatively small increase in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	20.2%	↘	- Noticeable fall in RoRaC. - Significant average increase in committed capital due to business growth more than compensates for earnings before taxes.

In the Energy and Infrastructure Customers segment, the NORD/LB Group, despite increasing competition, maintained its market position as one of the leading financers 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 in 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.

With the refinancing of companies leasing movable assets, Bremer Landesbank maintained its position as a leading financer of middle-market leasing companies in 2015. It extended the product range this year by initiating the funding of basic contracting asking prices, with leasing companies initially acts as intermediaries. With KFW global loans, Bremer Landesbank has strengthened its funding base for the segment - a first tranche was utilised in 2015.

Ship Customers

31 Dec. 2015 (in € million)	Ship Customers	Trend	Development
Earnings before taxes (EBT)	– 533	↓	- Earnings before taxes remain significantly negative and worsening. - Positive development in net interest income influenced by USD development. - Significant increase in allocations to loan loss provisions due to the ongoing shipping crisis. - Significant increase in net commission income due to successful restructurings and new business. - Trading profit/loss almost doubled due to purchase of receivables. - Moderate increase in administrative expenses due to higher internal overhead cost allocations. - Other operating profit/loss is insignificant in this segment.
Cost-Income-Ratio (CIR)	23.2%	↘	- Noticeable improvement in the CIR. - Relative increase in income greater than increase in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	-16.1%	↓	- RoRaC remains negative and has worsened significantly. - Noticeable increase in income unable to compensate for the significant increase in risk provisioning.

In the Ship Finance segment, the NORD/LB Group 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 across the Group is on reducing the commercial shipping portfolio and increasing the cruise ship and 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 an existing 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 existing customer portfolio, in 2015 NORD/LB was again 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
Earnings before taxes (EBT)	115	↑	- Significant increase in earnings before taxes. - Positive development in net interest income influenced by strong USD development. - Reversals in loan loss provisions and income from receivables written off had a positive effect on earnings before taxes. - 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. - Other operating profit/loss is insignificant in this segment.
Cost-Income-Ratio (CIR)	18.1%	→	- Minimal improvement in the CIR. - Increase in income higher than increase in costs.
Return-on-Risk-adjusted-Capital (RoRaC)	24.5%	→	- Slight increase in the RoRaC. - 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 financers 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
Earnings before taxes (EBT)	195	↑	- Considerable increase on the previous year's result due to significant net reversals in risk provisioning. - Net interest income slightly below the previous year. Interest income in Deutsche Hypo slightly below the previous year's level due to smaller margins and slight reduction in portfolios due to increased early repayment of loans. The portfolio reduction in NORD/LB has also contributed to a reduction in interest income. - Risk provisioning is influenced by reversals in the old portfolio, whereas allocations were necessary in the previous year. Sharp reduction in allocations to risk provisions in Deutsche Hypo as well. - Significant fall in net commission income, but only accounts for a small share of income in the segment. Interest-related charges are reported under interest income. - The much lower trading profit/loss is primarily due to the valuation of the counterparty-specific default risk of derivatives. - Slight reduction in administrative expenses due to fall in costs due to portfolio reduction in NORD/LB. - Other operating profit/loss is insignificant in this segment.
Cost-Income-Ratio (CIR)	28.4%	→	- The CIR is close to previous year's level. - The relative fall in income is greater than the relative fall in administrative expenses.
Return-on-Risk-adjusted-Capital (RoRaC)	21.7%	↑	- Strong increase in the RoRaC. - Influenced by the significant increase in earnings before taxes and the reduced capital commitment due to the reduction and improved quality in the portfolio.

Deutsche Hypo demonstrated its financing competence again in 2015 and concluded a large number of attractive contracts. By way of example three flagship projects are mentioned here.

At the start of 2015 Deutsche Hypo financed the purchase of a residential property portfolio with 137 buildings in the Netherlands. The borrower is an institutional property fund managed by the PATRIZIA Group. The three financing partners each provided one third of the finance. Deutsche Hypo acted in the syndicate as the mandated lead arranger, agent and bookrunner.

In July 2015 Deutsche Hypo financed as the sole lender and office property portfolio consisting of properties in Munich, Berlin, Hamburg and Offenbach. The office properties are let long term to companies, including among others BMW and Deutsche Bahn. The borrowers are four property companies managed by Invesco Real Estate for a single mandate.

Deutsche Hypo also provided as syndicate leader together with HypoVereinsbank finance for the Sofitel Munich Bayerpost Hotel for the second time. The borrower is the open-ended public property fund Deka-ImmobilienEuropa, which purchased the property recently from a fund of E&P Real Estate GmbH & Co. KG (Ebertz & Partner Group). The two parties each provided half of the finance.

Group Management/Others

31 Dec. 2015 (in € million)	Group Management/ Others	Trend	Development
Earnings before taxes (EBT)	248	↑	- Significant increase in earnings due in particular to consolidation effects from risk provisioning. - Significant fall in net interest income in this segment due among other things to less net interest received from capital employed due to low interest rates, much lower interest income from other subsidiaries and higher negative consolidation effects. - Risk provisioning in 2015 very positively influenced by consolidation effects relating to risk provisioning for consolidated single-ship ventures. - Moderate 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 from currency derivatives and to credit-spread effects. - Much improved profit/loss from hedge accounting due to diverging spreads between forward and discount curve. - Significant improvement in profit/loss from financial assets due to income realised from the sale of securities and an investment; in the previous year the valuation of HETA Asset Resolution had a negative impact. - Significant improvement in profit/loss from investments accounted for using the equity method due to reduction in negative valuation requirements in the investment portfolio. - Significant increase in administration expenses due to regulatory expenses on the one hand and increase in consultancy fees from projects on the other. - Considerable fall in other operating profit/loss due in particular to increase in the bank levy.

Target v Actual Comparison

31 Dec. 2015 (in € million)	Planned amount	Actual amount	Accounting variance	Statement
Earnings before taxes	↑	653	↑	- Earnings before taxes well above target. - Target for income (including other operating profit/loss) exceeded by a good € 400 million or 20 per cent. - Net interest income, counter to the expectation of a fall, well above target due among other things to income from prepayment penalties and from the current result of interest and liquidity-risk management. Interest income from customer business noticeably above target due in particular to margin effects achieved. - Risk provisioning much higher than planned (due in particular to the ship portfolio). - Target for net commission income almost met. Expenses for guarantees higher than planned, but are compensated for by positive customer business. - Earnings from financial transactions significantly above target due in particular to positive valuation effects from currency derivatives. - Profit/loss from hedge accounting very positive due to diverging spreads between discount and forward curve. - Profit/loss from financial assets well above target due to income realised from sale of securities and an investment. - Profit/loss from investments accounted for using the equity method only around 30% of target due to valuation adjustments for an investment. - Administrative expenses close to planned figure. Staff expenses slightly less than, other administrative expenses due to regulatory-induced costs and project portfolio moderately higher than planned. - Other operating profit/loss much worse than in the negative plan due in particular to the bank levy being higher than expected in the plan.
Cost-Income-Ratio (CIR)	↗	46.4%	↓	- CIR much better than in the plan. - Income well above target. - Administrative expenses close to planned figure.
Return-on-Risk-adjusted-Capital (RoRaC)	↑	8.7%	↑	- RoE well above target. - Earnings before taxes significantly above target.

NORD/LB met its targets in 2015 and in so doing generated earnings before and after taxes well above expectations. Earnings before taxes were significantly above target by a good 90 per cent due to the sharp increase in net interest income and a few special effects, earnings after taxes were above target by more than 150 per cent with a tax position virtually as planned.

With the exception of the Ship segment, whose earnings before taxes were very negative contrary to expectations, all of the bank's other customer segments exceeded their planned contributions to earnings before taxes, in some cases significantly, and in so doing more than compensated for in particular the adverse cyclical effect due to risk provisioning in 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 contribution to earnings before taxes was forecasted for 2015 for the other segments.

In addition, a few special effects in the Group Management/Others segment deriving from profit/loss from financial instruments at fair value (valuation effects with currency derivatives), profit/loss from hedge accounting and in profit/loss from financial assets contributed to earnings before taxes being well above target at Group level.

In the segments the actual ratios stand comparison with the target ratios: Due to the good income and cost situation, the CIR was better than planned in all segments or at least as good as planned (Real Estate Banking Customers), whereas at the time the plan was produced an unchanged CIR had been expected in most segments, and an improved CIR was only expected in Private and Commercial Customers (by 21 per cent) and in Energy and Infrastructure Customers (by 1 per cent). The RoRaC in 2015 was better than expected in all segments apart from the Ships segment, whereas a significant fall in the RoRaC had been expected at the time the plan was produced in most segments apart from Private and Commercial Customers and Ship and Aircraft Customers.

The NORD/LB Group’s total risk exposure remained at € 64 billion around 11 per cent below the figure in the plan. There are many reasons for this, including the effects of a new structuring measure not included in the plan and the topping of an existing measure to hedge credit risks and the below-target level of new business, which more than compensated for the effects of the development of the USD/EUR exchange rate.

Overall Assessment

The performance of the business in 2015 is on the whole considered to be satisfactory. Despite the current low level of interest rates and the ongoing crisis in the shipping sector, 2015 closed with earnings before taxes of € 518 million.

The Group's financial and asset position is in order. The reduction in total assets is proceeding in conjunction with the separation of new business growth from balance sheet growth according to plan. With the regulatory requirements in mind, in particular those relating to liquidity coverage and funding ratios, the bank's liquidity resources were adequate at all times in the period under review.

Supplementary Report

After the balance sheet date, no events occurred which might be of significance for the reporting period of 1 January to 31 December 2015.

Personnel and Sustainability Report

Responsibility that is documented and verified

Awards

// The re-audit of the Corporate Health Award with the quality certification rating, in 2013, also boosted NORD/LB's sustainable occupational health management in 2015.

// The re-certification following the 2014 Work and Family Audit, once again, affirmed the ongoing work of NORD/LB and the Bremer Landesbank with respect to creating a family friendly business environment and continued to reinforce their mission to support the work-family balance with appropriate measures.

// The "Charta der Vielfalt" (Diversity Charter), which was signed by NORD/LB and the Bremer Landesbank in 2013, shaped NORD/LB Group's diversity policy in 2014, too.

// In 2014, Deutsche Hypo also became a signatory of the "Charta der Vielfalt".

// The Fair Company Initiative is the largest and most popular employer initiative for students and young professionals in Germany. Companies with Fair Company seal offer useful practical experience as they commit themselves to approved quality standards and verifiable rules. For this responsible and transparent business culture NORD/LB was awarded with the Fair Company seal.

Ratings

// In the Corporate Responsibility Rating, NORD/LB received an overall rating of C+ from oekom Research and was awarded Prime investment status.

// In Sustainalytics AG's ESG-based (Environmental, Social, Governance) sustainability analysis of the "Public and Private Banks" sector, NORD/LB ranks among the Best in Class in the industry.

Personnel Report

There is ever-increasing pressure to change in the banking industry. Ever-increasing market requirements, an increasingly complex regulatory environment and the diversified business models in the NORD/LB Group require efficient, value-adding, flexible and forward-looking personnel work. Demographics, digitisation and diversity are also a challenge for the banking industry as a whole and therefore the NORD/LB Group's personnel policy as well. The NORD/LB Group's personnel work was again influenced in 2015 by demanding cost pressure. It needed investment scope and also time to meet its cost targets efficiently and effectively. As a result, increased demands were placed on the NORD/LB Group'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 throughout the Group. The personnel work has therefore made a significant contribution to ensuring that the NORD/LB Group has the ability to invest, remains competitive and is fit for the future.

Strategic direction

The NORD/LB Group's strategic direction in respect of personnel is derived from the respective business and risk strategies of the individual Group institutes and is guided by central strategic control levers. With continued harmonisation in mind, these strategic control levers also provide the framework for personnel work in the NORD/LB Group, with different priorities set at operational level in the subsidiaries:

- 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 the personnel costs, i.e. ensure a market-oriented and performance-related remuneration landscape;
- 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 development of a proactively controlling personnel management in the interest of a future-proof personnel policy.

Market-oriented remuneration

Ensuring that there is market-oriented and performance-related remuneration is a fundamental requirement of personnel work in the whole of the NORD/LB Group. The strategic remuneration work derived from this has made the NORD/LB Group more attractive as an employer, ensured that there is a performance-related incentive effect for staff and also achieved controlling effects for an adequate headcount.

For example, NORD/LB AöR updated its remuneration system in 2015. At the heart of these changes was the refinement of all remuneration components for a transparent total remuneration approach.

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 NORD/LB Group underwent a challenging transformation process in 2015 with ambitious cost and headcount targets. At the end of 2015 the NORD/LB Group employed 6,343 people (2014: 6,597). The headcount was therefore reduced according to plan by almost 4 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 Group with systematic resource management. NORD/LB also focused Group-wide on internal occupation ratios in 2015. In order to achieve its targets, state-of-the-art resource management tools such as internalisation tools or staff pool solutions are used.

Quality provider for recruitment of junior staff

The apprenticeships offered in the NORD/LB Group 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 holistic approach to work with junior staff in the NORD/LB Group.

Against the industry trend, the number and quality of applicants for apprenticeships with the NORD/LB Group was above the previous year's level. The targeted control of the training and development of junior staff ensures that the NORD/LB Group'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.

The employer and the apprenticeships on offer throughout the NORD/LB Group are of a high quality compared to the competition. This is proven by the commitment of junior staff already recruitted and for example by NORD/LB's 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 (4.4 per cent) was maintained in the NORD/LB Group. In addition, the number of junior staff in training (apprentices and trainees) was, at 262, also in the range of the previous year (2014: 291).

With its good training ratios, together with the high trainee retention rate, the NORD/LB Group 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 the NORD/LB Group 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 with needs-based personnel development defined NORD/LB's personnel development policy Group-wide in 2015. NORD/LB focused for example in 2015 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.

On the other hand, efficiency and cost effects were achieved throughout the NORD/LB Group example in personnel processes and the expansion of web-based, location-independent training courses.

Holistic diversity management

Diversity management is a firmly established part of personnel strategy in the NORD/LB Group, 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 the NORD/LB Group's diversity management is largely influenced by the principles of the "Charta der Vielfalt" (Diversity Charta) of the companies in Germany, which NORD/LB and Bremer Landesbank signed up to in 2013 and Deutsche Hypo in 2014.

In the NORD/LB Group the systematic development of the management potential of women is achieved with targeted measures. The proportion of women in management therefore remained stable despite the continued job restructuring in 2015 at 18.8 per cent (2014: 19.1 per cent), with a slight fall in the share of women in the workforce at 49.63 per cent (2014: 50.1 per cent), which in turn confirms the balanced mix of women and men in the NORD/LB Group. With the number of females on the Supervisory Board remaining the same, their share has fallen slightly (20.8 per cent in 2015 compared to 21.2 per cent in 2014).

Consistent health management

The health of employees is an essential value-adding factor for the NORD/LB Group's economic success. There are interdependencies between the operational working conditions and performance of the workforce, which are managed in NORD/LB, Deutsche Hypo and Bremer Landesbank 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 of health management are set out in NORD/LB, Bremer Landesbank and Deutsche Hypo in a vision with high-quality standards and health-related key figures.

Health management in the aforementioned NORD/LB Group companies includes 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 health management programme to maintain and promote employee health, the sickness rate was virtually stabilised in the NORD/LB Group in 2015 at 4.6 per cent (2014: 4.2 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.

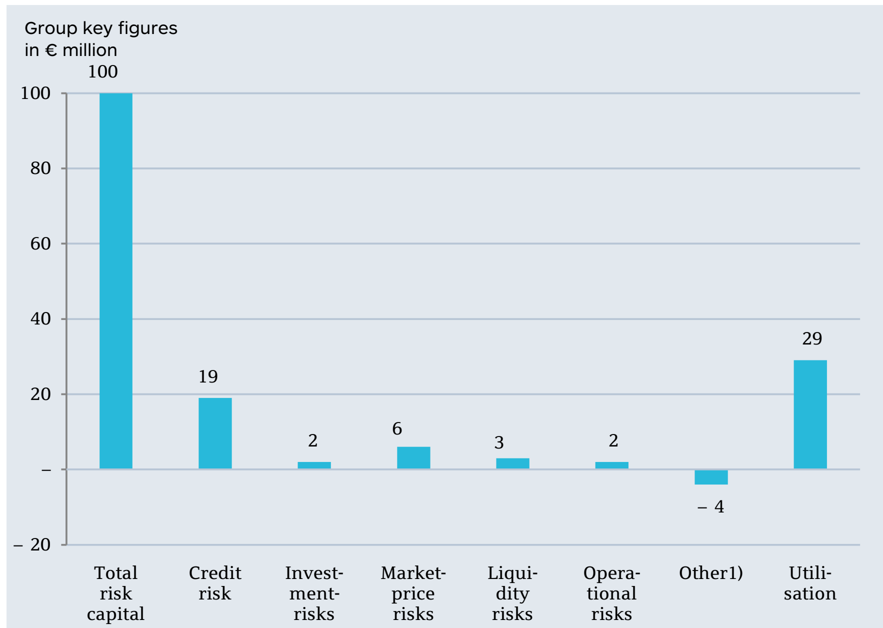
Sustainability is therefore the guiding principle for a society that is fit for the future and for NORD/LB a principle for operating a responsible business. On the basis of this principle, the Managing Board has passed a Sustainability Strategy which covers aspects of our corporate governance and the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

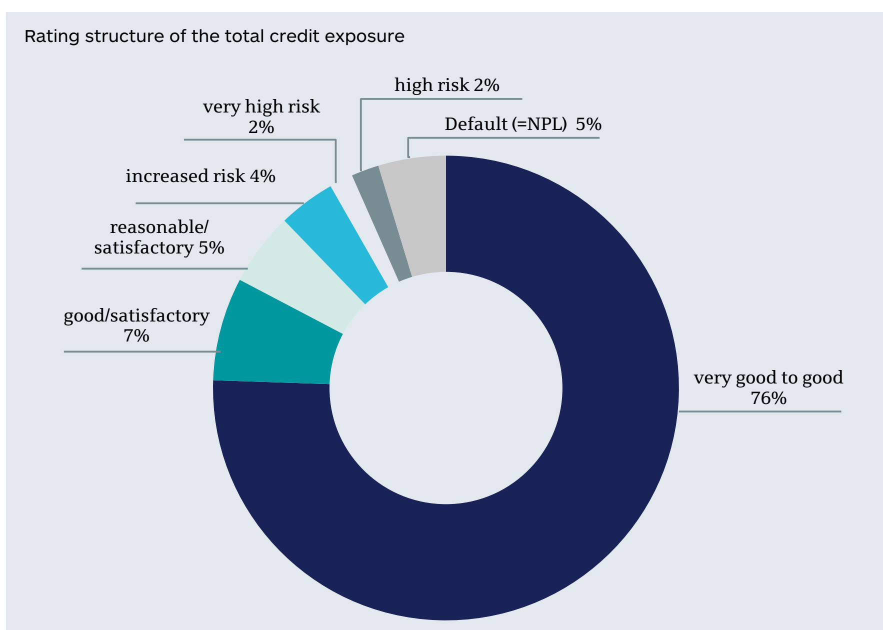
Forecast, Opportunities and Risk Report

Risks/Lending business

- Risk-bearing capacity is clearly sufficient.
- Utilisation declined significantly, far below the internal limit of 80 per cent.
- The credit risk is the most important risk within the customer-oriented business model.



- Rating category Very Strong/Strong on high level.
- Lot of business with municipalities and highly-rated financial institutes reflects our conservative risk policy.
- NPL exposure excl. Collaterals has a covereage ratio by risk provisions of 47 per cent.



- Stable funding sources.
- Internal stress tests also show strongly robust liquidity levels.
- LCR on solid level.

100.7% Liquidity Coverage Ratio (LCR)

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 important 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. By the end of 2016 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 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 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

Once again the International Monetary Fund has revised its expectations downwards and lowered its forecasts in January. Global economic growth is, at around 3.4 per cent (2016) and 3.6 per cent (2017), in both cases 0.2 per cent lower than previously estimated. 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 bulker 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 for 2016 growth of 6.9 per cent for global passenger transport (RPK), which is well above the average growth for the last 20 years of 5.5 per cent. The IATA is expecting for demand for airfreight volume (FTK) a growth rate of 3.0 per cent.

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 of 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 the 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 prime yields for real estate at 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. Over the long term, very good, established property locations (A locations) also have comparatively high initial yields in B-cities. For investors it will again become more difficult in 2016 to find attractive investments.

Group 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 targets 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 a rise in consumer prices of 1.6 per cent, GDP growth of 2.1 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.

The NORD/LB Group - Planning 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 largely attributable to the noticeable fall in net interest income in the plan. A fall in income is anticipated due to the forecasted 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 a significant 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 on the other hand is slightly above the previous year's level in the plan for 2016. An increase in planned income from customer business and the sale of the custodian bank function are seen alongside an increase in expenses for securitisation measures. The profit/loss from financial instruments at fair value increases significantly in the plan for 2016 due to the non-recurrence of valuation losses from the previous year and positive effects from the foreign exchange result. The profit/loss from hedge accounting is forecasted in the plan for 2016 at well below the previous year's figure. For 2016 no write-downs of investments are planned, as a result the profit/loss from investments accounted for using the equity method is much better in the plan in 2016.

Risk provisioning will once again be primarily influenced by the ship portfolio and remains high. The profit/loss from financial assets 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 the sale of an investment and securities.

Administrative expenses for 2016 are expected to be around the previous year's level. Planned investment in selected customer segments and in IT are compensated for by the expected implementation of cost-cutting measures. Staff expenses increase marginally and depreciations and impairments moderately, while other administrative expenses fall slightly in the plan for 2016 compared to 2015.

Other operating profit/loss is well above the previous year's level in the plan as negative effects in the previous year such as the redemption of own debt securities are not included in the plan. No reorganisation expenses is provided for in the plan for 2016.

For 2016 on the whole much lower earnings before taxes are expected.

The CIR rises in the plan for 2016 compared to the previous year by around 8 percentage points due to a fall in income and virtually unchanged administrative expenses; the RoE is expected to be lower at around 6 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 earnings before taxes in the Markets segment increases slightly 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 in the plan year 2016 has a particularly positive effect on net commission income. 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.

Earnings before taxes 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 loan 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 and USD basis spread.

General opportunities and risks exist in deviations from planning assumptions for economic forecasts like interest-rate curves, recent court rulings on the refunding of loan processing fees and cancellation policies, regulatory requirements such as the stress test, other capital requirements, bank levy and associated costs and the USD/EUR exchange rate. In NORD/LB a further rise in the value of the USD towards parity with the EUR would result on the one hand in small positive effects in the income statement and a slight increase in the total risk exposure on the other. 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 Land Banks and due to the "European bank levy", in the event of compensation and support measures that might result in the under-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 assets, financial, earnings and liquidity position of NORD/LB 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 uncovered 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 sovereign 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 Braunschweigische Landessparkasse's business 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 development in the Ship Customer 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 value reserving 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. 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.

In the Real Estate Banking Customers segment the NORD/LB Group sees opportunities in the demand for real estate remaining high due to a lack of alternative investments and the relevant real estate markets remaining robust and continuing to grow.

Extended Risk Report

Development of risk-bearing capacity in 2015
The utilisation of risk capital in the going-concern scenario increased in the year under review and is 29 (48) per cent as at the reporting date. Risk capital has risen compared to the previous year. Of the significant risk types 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 for the NORD/LB Group:

Risk-bearing capacity (in € million)[1]		31 Dec. 2015		31 Dec. 2014
Risk capital	**4 723**	**100%**	**2 915**	**100%**
Credit risk	918	19%	981	34%
Investment risk	112	2%	62	2%
Market-price risk	262	6%	306	10%
Liquidity risk	157	3%	159	5%
Operational risk	95	2%	94	3%
Other2)[2]	– 194	-4%	– 196	-7%
Total risk potential	**1 349**	**–**	**1 404**	**–**
Risk capital utilisation	**–**	**29%**	**–**	**48%**

[2] Differences in totals are rounding differences.
[3] 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 and adjust existing processes (e.g. capital planning).

In adjusting the internal control committees to the logic of the Supervisory Review and Evaluation Process (SREP), NORD/LB 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 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 maximum default risk for on-balance-sheet and off-balance-sheet financial instruments as at the reporting date is € 191 billion and has fallen in the year under review by 9 per cent. The reductions took place in all balance-sheet-relevant categories and in particular loans and advances to banks, financial assets at fair value through profit or loss and financial assets.

Risk-bearing financial instruments (in € million)	Maximum default risk 31 Dec. 2015	Maximum default risk 31 Dec. 2014[1)]
Loans and advances to banks	21 193	23 563
Loans and advances to customers	104 960	105 510
Adjustment item for financial instruments hedged in the fair value hedge portfolio	91	114
Financial assets at fair value through profit or loss	14 035	16 306
Positive fair values from hedge accounting derivatives	2 507	3 483
Financial assets	34 515	45 120
Sub-total	**177 301**	**194 096**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	13 735	14 726
Total	**191 036**	**208 822**

[4)] The previous year's figures were corrected.

Compared to the tables below concerning total exposure which are based on internal data presented to management, the maximum default risk in the above table is reported at book value. The maximum default risks based on utilisation of irrevocable credit commitments and other off-balance-sheet items are the total credit lines committed.

The differences between the total exposure according to the internal reporting and the maximum default risk are due to the different scope of application, the definition of total exposure for internal purposes and different accounting policies.

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 collateral received by the NORD/LB Group are ignored. Also included in the total exposure are investments.

Analysis of the total exposure

The NORD/LB Group's total exposure as at 31 December 2015 amounts to € 194 billion and has therefore fallen compared to the previous year's total exposure (€ 211 billion). The previous year's figures were adjusted due to the merger of NORD/LB Luxembourg and NORD/LB CFB with NORD/LB Luxembourg S.A. Covered Bond Bank. 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 banks. The rating classes of the 18-step DSGV rating master scale used in the NORD/LB Group can be transferred directly into the IFD classes.

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

Rating structure[1)2)] (in € million)	Loans 31 Dec. 2015	Securities[3)] 31 Dec. 2015	Derivates[4)] 31 Dec. 2015	Other[5)] 31 Dec. 2015	Total exposure 31 Dec. 2015	Total exposure[6)] 31 Dec. 2014
very good to good	91 660	32 412	8 044	14 206	146 321	160 880
good / satisfactory	11 202	1 263	237	1 201	13 902	15 372
reasonable / satisfactory	8 278	391	182	1 013	9 864	9 916
increased risk	6 572	512	145	425	7 654	8 641
high risk	2 935	3	44	190	3 173	3 288
very high risk	3 610	2	38	63	3 713	4 099
default (=NPL)	8 759	236	40	54	9 059	8 778
Total	**133 016**	**34 819**	**8 731**	**17 152**	**193 718**	**210 975**

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.
6) The previous year's figures were corrected.

The items in the rating category "Very good to good" fall slightly in the year under review by 9 per cent. The very high share of these best rating categories in the total exposure of 76 per cent (76 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 the NORD/LB Group.

While the exposure in all other rating categories (good/satisfactory to very high risk) fell in the year under review, the exposure in non-performing loans (NPLs) rose due to rating migrations by around 4 per cent. The reason for this is in particular the ongoing shipping crisis.

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 50 per cent (56 per cent) and still constitutes a considerable share of the total exposure.

Industries[1)2)] (in € million)	Loans 31 Dec. 2015	Securities[3)] 31 Dec. 2015	Derivates[4)] 31 Dec. 2015	Other[5)] 31 Dec. 2015	Total exposure 31 Dec. 2015	Total exposure[6)] 31 Dec. 2014
Financing institutes / insurance companies	29 386	15 803	3 590	7 999	56 778	72 976
Service industries / other	56 579	17 228	2 357	1 981	78 144	81 951
Of which: Land, housing	18 647	–	513	423	19 583	20 139
Of which: Public administration	21 798	16 913	1 357	248	40 316	44 293
Transport / communications	25 164	433	662	250	26 509	26 100
Of which: Shipping	18 723	–	113	83	18 918	17 691
Of which: Aviation	3 404	–	18	–	3 422	4 017
Manufacturing industry	5 483	488	673	260	6 904	6 600
Energy, water and mining	9 836	770	1 035	5 150	16 790	14 927
Trade, maintenance and repairs	4 051	71	288	209	4 619	4 494
Agriculture, forestry and fishing	785	–	5	1 226	2 015	1 912
Construction	1 732	26	123	77	1 958	2 014
Total	**133 016**	**34 819**	**8 731**	**17 152**	**193 718**	**210 975**

1) The figures are reported, as in the internal reports, by economic criteria.
2) To 6) please see the preceding Rating Structure table.

The breakdown of the total exposure by region shows that the eurozone accounts for a high share of 81 per cent (84 per cent) of the total exposure and remains by far the most important business region of the NORD/LB Group. Germany's share remains 66 per cent (68 per cent).

Regions[1)2)] (in € million)	Loans 31 Dec. 2015	Securities[3)] 31 Dec. 2015	Derivates[4)] 31 Dec. 2015	Other[5)] 31 Dec. 2015	Total exposure 31 Dec. 2015	Total exposure[6)] 31 Dec. 2015
Euro countries	107 523	27 556	5 099	16 969	157 146	176 665
Of which: Germany	90 461	18 275	3 212	16 379	128 327	143 757
Other Europe	10 421	2 623	2 044	34	15 121	13 911
North America	6 393	2 937	1 077	39	10 446	9 512
Middle and South America	2 763	763	30	–	3 557	3 121
Middle East / Africa	1 226	–	8	16	1 250	1 112
Asia / Australia	4 691	941	472	95	6 198	6 654
Total	**133 016**	**34 819**	**8 731**	**17 152**	**193 718**	**210 975**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) To 6) please see the preceding Rating Structure table.

Overall the exposure in Greece, Ireland, Italy, Portugal and Spain fell to € 7 billion (€ 9 billion). Their share in the total exposure is only 4 per cent. The balance of receivables owed by the respective countries, regional governments and municipalities fell to € 1.7 billion (€ 2.5 billion) and remains 1 per cent of the total exposure.

Exposure in selected European countries[1)2)] (in € million)	Greece 31 Dec. 2015	Ireland 31 Dec. 2015	Italy 31 Dec. 2015	Portugal 31 Dec. 2015	Spain 31 Dec. 2015	Total 31 Dec. 2015
Sovereign Exposure	–	231	1 038	244	177	1 690
Of which: CDS	–	212	–	198	–	410
Financing institutes / insurance companies	–	432	220	15	1 251	1 918
Corporates / Other	21	2 621	402	94	330	3 468
Total	**21**	**3 284**	**1 661**	**353**	**1 758**	**7 077**

[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 countries[1)2)3)] (in € million)	Greece 31 Dec. 2014	Ireland 31 Dec. 2014	Italy 31 Dec. 2014	Portugal 31 Dec. 2014	Spain 31 Dec. 2014	Total 31 Dec. 2014
Sovereign Exposure	–	217	1 660	342	252	2 471
Of which: CDS	–	198	–	196	–	394
Financing institutes / insurance companies	–	473	537	113	1 548	2 672
Corporates / Other	251	2 658	218	130	391	3 649
Total	**251**	**3 348**	**2 416**	**585**	**2 191**	**8 791**

[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.
[3)] The previous year's figures were corrected.

The NORD/LB Group has an exposure of € 1.124 billion 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, the NORD/LB Group has an exposure of € 147 million (€ 113 million sovereign exposure, € 34 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 Egypt, Argentina 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 any further provisions at this stage. Further details can be found in the Notes in Note (66) Disclosures relating to selected European countries.

Sovereign Exposure in selected European countries by maturity 1)2) (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	–	11	–	16	**26**
more than 1 up to 5 years	–	231	366	244	130	**971**
more than 5 years	–	–	662	–	31	**693**
Total	**–**	**231**	**1 038**	**244**	**177**	**1 690**

1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

Sovereign Exposure in selected European countries by maturity 1)2)3)	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
up to 1 year	–	–	189	80	23	**292**
more than 1 up to 5 years	–	217	246	262	198	**923**
more than 5 years	–	–	1 226	–	31	**1 257**
Total	**–**	**217**	**1 660**	**342**	**252**	**2 471**

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.
3) The previous year's figures were corrected.

In addition to direct exposure, the 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) 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 collateral received by the NORD/LB Group 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 default risks relating to lending business reported in the balance sheet, if there are objective indications of a permanent loss in value the NORD/LB Group 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 redemption payments which are still expected as well as on other earnings, in particular from the realisation of collateral. Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

The NORD/LB Group accounts for the latent counterparty risk in all unprovisioned transactions and off-balance sheet transactions by making general loan loss provisions for impairments which have already occurred but were not known on the balance sheet reporting date.

Irrecoverable loans of up to € 10,000 for which there is no specific valuation allowance are written off immediately. Payments received for written-off loans and advances are recognised through profit or loss. The previous year’s figures were adjusted due to the merger of NORD/LB Luxembourg and NORD/LB CFB with NORD/LB Luxembourg S.A. Covered Bond Bank.

The continuation of the shipping crisis resulted in a further increase in valuation allowances on exposures and risk provisioning in this sector in 2015. The total amount of specific valuation allowances, lumpsum specific loan loss provisions and loan loss provisions increased in the NORD/LB Group due primarily to an increase in valuation allowances for the shipping portfolio of NORD/LB and Bremer Landesbank (see also Note (36) Risk provisioning in the notes to the consolidated financial statements and the report on the earnings position). The ratio of specific valuation allowances, lumpsum specific loan loss provisions and loan loss provisions to the maximum default risk of on-balance-sheet and off-balance-sheet financial instruments rose in the period under review from 1.19 per cent to 1.55 per cent.

The overdue or impaired financial assets in the NORD/LB Group are primarily secured by standard bank collateral and other loan enhancements valued on the basis of lending principles. The gross book value of NPLs requiring a write-down is covered 47 per cent (43 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 grades 16 and 18.

The share of total NPLs in the total exposure increased in the period under review and as at 31 December 2015 is 4.7 per cent (4.2 per cent).

The increased exposure in the amount of € 6.6 billion (€ 6 billion) makes up 3.4 per cent (2.8 per cent) of the total exposure.

Industries[1)2)3)]	Total exposure of impaired receivables[3)]		Specific valuation allowances, lumpsum specific loan loss provisions, provisions for lending business	
(in € 000)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Financing institutes / insurance companies	63 007	189 922	20 238	119 330
Service industries / other	854 201	1 047 428	349 596	420 703
Transport / communications	5 318 437	4 336 899	2 369 921	1 721 790
Manufacturing industry	97 006	250 345	77 804	130 544
Energy, water and mining	187 129	99 940	92 078	49 893
Trade, maintenance and repairs	18 132	18 522	9 617	10 654
Agriculture, forestry and fishing	36 175	7 541	10 794	4 754
Construction	32 617	38 196	28 614	34 912
Total	**6 606 702**	**5 988 792**	**2 958 662**	**2 492 580**

1) The figures are reported, as in the internal reports, by economic criteria.
2) Differences in totals are rounding differences.
3) Previous year's figures were adjusted.
4) For information purposes: the reported gross book value of NPLs requiring a write-down totals € 6.351 billion (€ 5.845 billion).

31 Dec. 2015	Total exposure of overdue, unimpaired receivables					General
Industries[1)2)] (in € 000)	Up to 1 month	1 up to 3 months	3 up to 6 months	More than 6 months	Total	loan loss provisions
Financing institutes / insurance companies	770 827	379 495	231 352	72 050	1453 724	3 333
Service industries / other	420 944	220 059	2 363	23 478	666 844	47 690
Transport / communications	294 239	92 983	38 964	365 418	791 605	349 635
Manufacturing industry	95 501	91	8	785	96 384	16 547
Energy, water and mining	255 317	235	–	2 234	257 786	14 074
Trade, maintenance and repairs	41 379	2 165	–	2 863	46 407	5 842
Agriculture, forestry and fishing	41 503	1 180	37	236	42 956	4 954
Construction	17 781	–	13	750	18 544	3 151
Other	-	-	-	-	-	6
Total	**1937 492**	**696 209**	**272 737**	**467 812**	**3374 250**	**445 290**

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.

31 Dec. 2014 **Industries**[1)2)3)] (in € 000)	Total exposure of overdue, unimpaired receivables Up to 1 month	 1 up to 3 months	 3 up to 6 months	 More than 6 months	 Total	General loan loss provi-sions
Financing institutes / insurance companies	1 029 099	3	28 681	490 231	1 548 014	4 151
Service industries / other	292 531	322 180	23 893	23 344	661 948	57 196
Transport / communications	268 109	187 378	53 692	811 600	1 320 779	425 031
Manufacturing industry	8 807	6 572	–	2 700	18 078	19 618
Energy, water and mining	175 041	4	1 733	2 421	179 199	12 037
Trade, maintenance and repairs	10 679	9 658	171	3 538	24 045	6 557
Agriculture, forestry and fishing	80 087	260	685	3 993	85 026	5 086
Construction	4 634	680	133	806	6 253	3 564
Total	**1 868 986**	**526 735**	**108 989**	**1 338 632**	**3 843 343**	**533 240**

1) The figures are reported, as in the internal reports, by economic criteria.
2) Differences in totals are rounding differences.
3) The previous year's figures were corrected.

Regions[1)2)] (in € 000)	Total exposure of impaired receivables 31 Dec. 2015	 31 Dec. 2014[3)]	Specific valuation allowances, lumpsum specific loan loss provisions, provisions for lending business 31 Dec. 2015	 31 Dec. 2014
Euro countries	5 740 983	5388 749	2 530 025	2358 398
Other Europe	104 001	146 344	60 092	60 518
North America	–	33 867	–	5 200
Middle and South America	24 538	11 415	12 560	2 995
Middle East / Africa	349 403	166 501	210 536	34 137
Asia / Australia	387 777	241 916	145 448	31 333
Total	**6 606 702**	**5 988 792**	**2 958 622**	**2 492 581**

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.

31 Dec. 2015 **Regions**[1)2)] (in € 000)	Total exposure of overdue, unimpaired receivables up to 1 month	 1 up to 3 months	 3 up to 6 months	 More than 6 months	 Total	General loan loss provi-sions
Euro countries	1 772 504	496 886	272 736	375 196	2 917 322	389 915
Other Europe	129 818	199 142	–	36 225	365 185	10 255
North America	31 772	–	–	–	31 772	5 422
Middle and South America	–	–	–	–	–	4 089
Middle East / Africa	–	–	–	–	–	3 737
Asia / Australia	3 399	181	–	56 391	59 971	31 871
Total	**1 937 492**	**696 209**	**272 737**	**467 812**	**3 374 250**	**445 290**

1) The figures are reported, as in the internal reports, by economic criteria.
2) Differences in totals are rounding differences.

31 Dec. 2014 **Regions**[1)2)3)] (in € 000)	Total exposure of overdue, unimpaired receivables up to 1 month	1 up to 3 months	3 up to 6 months	More than 6 months	Total	General loan loss provisions
Euro countries	1706 801	325 585	107 583	1275 320	3415 289	497 332
Other Europe	124 618	184 804	1 407	52 037	362 865	7 638
North America	–	–	–	–	–	5 879
Middle and South America	–	–	–	–	–	2 154
Middle East / Africa	–	–	–	–	–	1 924
Asia / Australia	37 568	16 346	–	11 275	65 189	18 314
	–	–	–	–	–	–
Total	**1868 986**	**526 735**	**108 989**	**1338 632**	**3843 343**	**533 240**

1) The figures are reported, as in the internal reports, by economic criteria.
2) Differences in totals are rounding differences.
3) The previous year's figures were corrected.

The exposure of overdue, unimpaired receivables fell overall. This is due primarily to a fall in the more-than-six-months category. Of the overdue, unimpaired receivables, only 22 per cent (38 per cent) are receivables where the agreed interest or redemption payments are overdue by more than 90 days. In the NORD/LB Group these receivables are considered to be defaults. 57 per cent (49 per cent) of receivables are overdue by up to one month; as a general rule the NORD/LB Group expects these receivables to be paid.

The risk provisioning figures presented deviate due to differences in the basis of consolidation and the treatment of general loan loss provisions for off-balance-sheet liabilities from the values presented in in Note (35) Risk provisioning. The values can be reconciled with the help of the Reconciliation table.

Reconciliations[1)2)]	Specific valuation allowances, lumpsum specific loan loss provisions, provisions for lending business		General loan loss provisions	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Risk report	**2 959**	**2 493**	**445**	**533**
Differing basis of consolidation	– 438	– 201	8	– 3
General loan loss provisions on off-balance sheet obligations	22	33	– 23	– 33
Consolidated financial statements	**2 544**	**2 325**	**430**	**497**

1) Differences in totals are rounding differences.
2) Previous year's figures were adjusted.

Direct write-offs of loans by the significant Group companies from a risk point of view in the year under review totalled € 90 million (€ 103 million). Additions to receivables written off totalled € 32 million (€ 37 million (previous year's figure was corrected). There were no direct write-offs of loans and advances for securities in the category loans and receivables (LaR) in the NORD/LB Group (€ 1 million; the previous year's figures were adjusted).

Due to offsetting with collateral, the risk-weighted assets of the significant Group companies from a risk point of view were reduced as at 31 December 2015 by € 16 billion (€ 15 billion), this equates to a 21 per cent (19 per cent) share of the total risk exposure before risk reduction (the previous year's figures were adjusted). Mainly financial collateral, sureties and guarantees from states and banks and mortgage liens were included.

The NORD/LB Group has not obtained any assets in the period under review by taking possession of collateral or by claiming other loan collateral.

Outlook

Against the background of the continuing difficult market conditions for ship finance, the NORD/LB Group expects that risk provisioning will again be significant in 2016. The NORD/LB Group will continue to monitor developments closely and where necessary proceed with the measures to strengthen the risk 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 capital tied and potential risk relating to investments the NORD/LB Group has, on the basis of a critical review of the investment portfolio, disposed of a range of investments since 2005. 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 € 112 million (€ 62 million) despite these disposals. The main 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.
Below the risk management and risk position of the significant investment based on qualitative criteria, the NORD/LB Asset Management Group, are presented.

NORD/LB Asset Management Group

The NORD/LB Asset Management Group is the NORD/LB Group's central platform for asset management services. This Group included in the year under review NORD/LB Asset Management Holding GmbH, which is responsible for the provision of infrastructure, and NORD/LB Asset Management AG, which is responsible for the portfolio management and administration of institutional funds.
NORD/LB Asset Management AG is a UCITS and AIF investment management company in accordance with the German Capital Investment Code (Kapitalanlagegesetzbuch) and therefore has the right to launch public and institutional funds.
The basis of risk management in NORD/LB Asset Management AG is provided by the business and risk strategies in accordance with the Minimum Requirements for Risk Management and the Minimum Requirements for Risk Management for Investment Companies. NORD/LB Capital Management GmbH is integrated with regard to operational risk into the NORD/LB Group's system, i.e. it conducts annual self-assessments and continually carries out scenario analyses. Coordination in the NORD/LB Group is ensured by participation in regular method boards on operational risk.

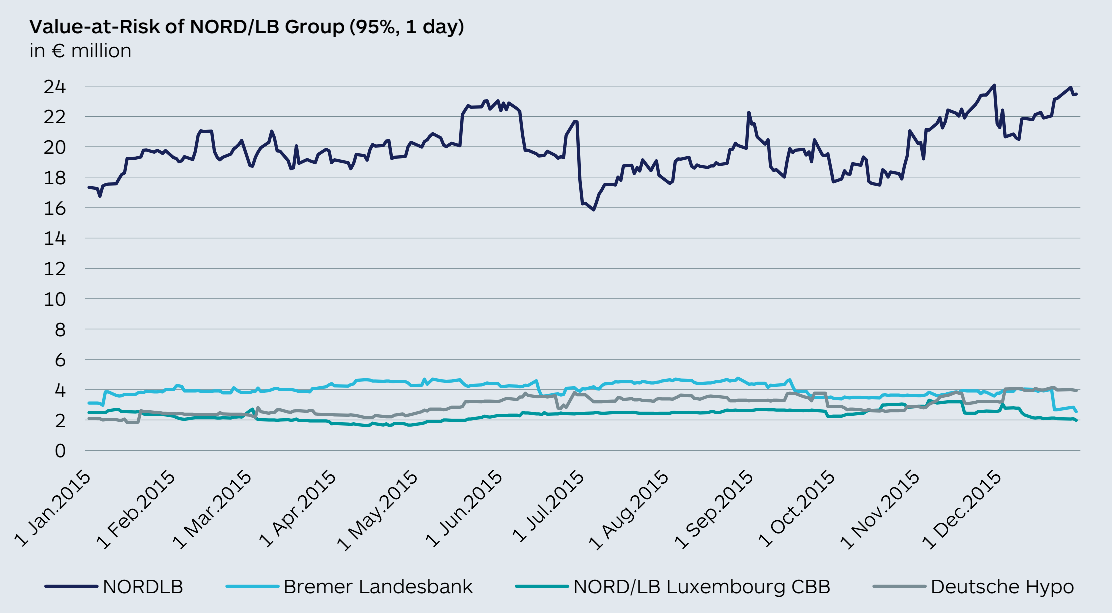
The company also has a regular risk inventory meeting. The department heads are required to report on changes in the risk situation in the regular meetings between management and the department heads. In this meeting possible measures for reducing risks are discussed and decided. The Risk Officer of the NORD/LB Asset Management AG is responsible for monitoring the implementation of the measures and he reports on this to management in the quarterly risk report.
The finance and operational risks of the companies are subject to constant monitoring and control within the established management information system.
There are currently no material risks that threaten the existence of the Group here either.

Outlook

Significant tasks for 2016 will be the further systematic 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, the further development of the materiality concept.

Market-price risk - development in 2015

The NORD/LB Group'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 utilisation for the year of market-price risk limits in NORD/LB at overall bank level 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 calculated as the sum of the VaR values of the significant companies from a risk point of view (confidence level of 95 per cent and holding period of one day) fluctuated between € 24 million and € 33 million, with an average value of € 29 million. At 31 December 2015 a VaR of € 15 million (€ 12 million) was calculated for the NORD/LB Group. The final figures are reported taking into account correlation effects. The historical simulation method was used throughout the Group.

The VaR calculated on the basis of regulatory parameters (confidence level of 99 per cent and holding period of ten days) totalled in the NORD/LB Group as at 31 December 2015 € 83 million (€ 63 million).

These figures also include, unlike the regulatory reporting, the interest rate and share-price risks in the banking book. In the table below the previous year’s figures are reported taking into account NORD/LB Luxembourg and NORD/LB CFB.

Market-price risks[1)]	Maximum		Average		Minimum		End-of year risk	
(in € 000)	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 %, 1day)	35 395	30 572	30 295	25 537	24 022	19 809	15 335	12 000
Currency risk (VaR 95 %, 1day)	2 552	1 654	1 870	899	839	523	558	932
Share-price and fund-price risk (VaR 95 %, 1day)	3 148	2 030	2 425	1 583	1 346	933	2 076	1 276
Volatility risk (VaR 95 %, 1day)	2 297	1 235	1 486	665	385	342	1 618	666
Other add-ons	142	115	60	48	–	–	108	35
Total	33 435	31 394	29 265	26 238	24 436	20 005	15 445	12 084

1) Maximum, average and minimum are calculated based on the VaR totals of the significant subsidiaries from a risk point of view; The final figures are calculated on a consolidated basis.

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 means of slimming down and targeted sales. At the same time, targeted new investments in corporate bonds, credit default swaps were made for portfolio management in the liquidity reserve.

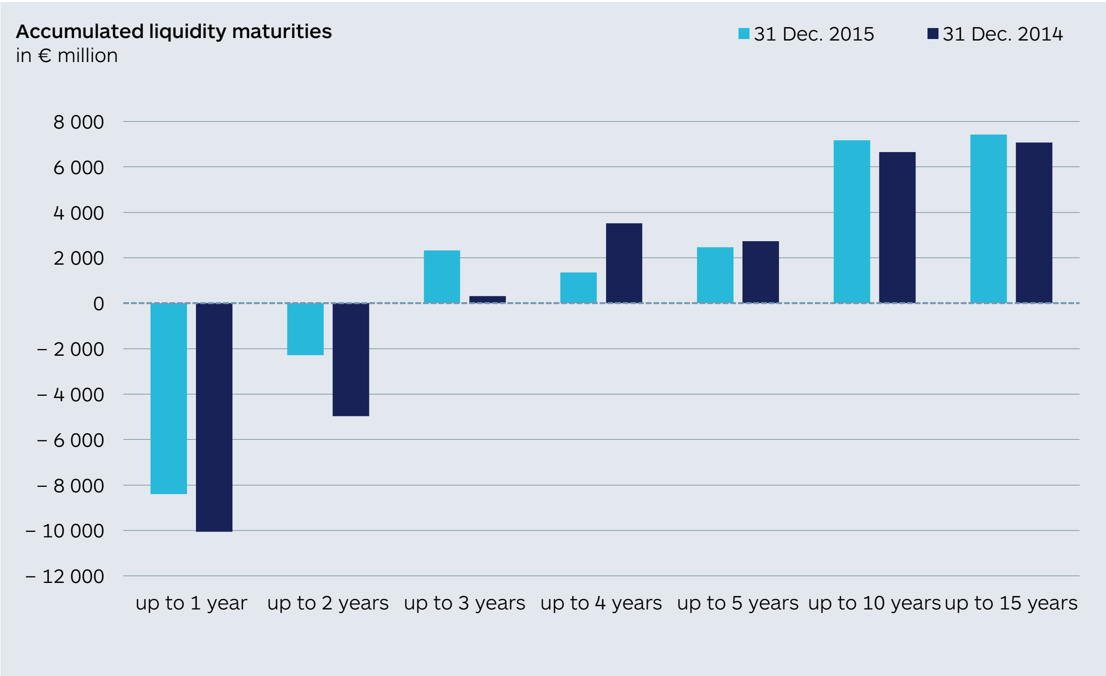
Outlook

The NORD/LB Group will continue to closely monitor 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, the NORD/LB Group believes though that it is also well prepared for turbulent market phases.

Liquidity risk – development in 2015

The market-wide liquidity situation in the eurozone 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.

In spite of this, the NORD/LB Group had sufficient liquidity at all times in 2015. 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 as at 31 December 2015; this applies for all currencies considered together and for the principal individual currencies.



The NORD/LB Group's funding primarily comprises liabilities to banks at 27 per cent (30 per cent), liabilities to customers at 33 per cent (29 per cent) and securitised liabilities at 20 per cent (21 per cent). In addition to unsecured securities, NORD/LB also uses covered bonds, including Öffentliche Pfandbriefe in euros and US dollars and Immobilienpfandbriefe, Schiffspfandbriefe and Flugzeugpfandbriefe. Pfandbriefe in circulation, including bonds which were issued before the Covered Bond Act (Pfandbriefgesetz, PfandBG) came into effect and lettres de gage issued under Luxembourg law, total € 43 billion (€ 46 billion), with Öffentliche Pfandbriefe accounting for the biggest share.

The NORD/LB Group operates in markets with the highest possible level of liquidity and maintains a portfolio of high-quality securities. The significant companies of the NORD/LB Group from a risk point of view possess as at the reporting date securities in the amount of € 41 billion (€ 52 billion), 81 per cent (85 per cent) of which are suitable 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 the NORD/LB Group had sufficient liquidity. The liquidity ratios calculated by the institutes subject to the German liquidity regulation (LiqV) were always well above the minimum of 1.00 required by regulatory provisions during the year.

Liquidity ratio in accordance with the LiqV[1]	31 Dec. 2015	31 Dec. 2014
NORD/LB	1,77	1,33
Bremer Landesbank	1,95	1,74
Deutsche Hypo	1,50	1,58

[1] NORD/LB Luxembourg does not have to report these figures on account of legal requirements.

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.

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 the NORD/LB Group will be expanded. Even greater focus will be placed on the SREP/ILAAP requirements for integrated liquidity management.
Following the inclusion of the LCR, the NORD/LB Group is now also focusing on the further regulatory key figures ALMM and asset encumbrance. In 2016 great important will again be attached to the more stringent requirements placed on the NORD/LB Group's management and reporting.

Operational risk – development in 2015

The total amount of NORD/LB's claims in 2015 was € 19.2 million and therefore less than in the previous year (€ 21.9 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.

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

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.
The associated tightening up of reporting, consolidation of questions and raising of general awareness are resulting in a noticeable lightening of administrative activities and increasing acceptance. This makes it easier to control operational risks and further expand the risk culture.
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

The NORD/LB Group has taken account of all the risks known to the bank with 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.

In addition, the NORD/LB Group and the significant companies from a risk point of view which are subject to independent reporting requirements complied with the applicable regulatory provisions concerning equity capital and liquidity throughout 2015. It also took due account of the regulations relating to large credits limits in accordance with art. 387 - 403 of the CRR and Luxembourg law. The NORD/LB Group does not believe that there are any risks at present 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.

The NORD/LB Group'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 countries. 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, the NORD/LB Group considers the foreseeable effects of these events to be manageable and will continue closely to monitor and analyse developments.

Consolidated Financial Statements

Income Statement

	Notes	1 Jan. - 31 Dec. 2015 (in € million)	1 Jan. - 31 Dec. 2014 (in € million)	Change (in %)
Interest income		8 262	8 919	– 7
Interest expenses		6 288	6 934	– 9
Net interest income	**20**	**1 974**	**1 985**	**– 1**
Loan loss provisions	21	698	735	– 5
Commission income		340	301	13
Commission expenses		106	116	– 9
Net commission income	**22**	**234**	**185**	**26**
Trading profit / loss		– 82	730	> 100
Profit / loss from the fair value option		218	– 643	> 100
Profit / loss from financial instruments at fair value through profit or loss	**23**	**136**	**87**	**56**
Profit / loss from hedge accounting	24	144	43	> 100
Profit / loss from financial assets	25	72	– 3	> 100
Profit / loss from investments accounted for using the equity method	26	8	– 37	> 100
Administrative expenses	27	1 114	1 125	– 1
Other operating profit / loss	28	– 97	– 75	29
Earnings before reorganisation and taxes		**659**	**325**	**> 100**
Reorganisation expenses	29	– 6	– 48	– 88
Expenses for public guarantees related to reorganisation	30	–	1	– 100
Earnings before taxes		**653**	**276**	**> 100**
Income taxes	31	135	71	90
Consolidated profit		**518**	**205**	**> 100**
of which: attributable to the owners of NORD/LB		547	303	
of which: attributable to non-controlling interests		– 29	– 98	

Statement of Comprehensive Income

The comprehensive income of the NORD/LB Group comprises the income and expense recognised in the income statement and in other comprehensive income (OCI).

	1 Jan.-31 Dec. 2015 (in € million)	1 Jan.-31 Dec. 2014 (in € million)	Change (in %)
Consolidated profit	**518**	**205**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	242	– 684	> 100
Investments accounted for using the equity method –Share of other operating profit / loss	6	– 2	> 100
Deferred taxes	– 74	180	> 100
	174	**– 506**	**> 100**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions			
Increase / decrease from available for sale (AfS) financial instruments			
Unrealised profit / losses	– 36	325	> 100
Transfer due to realisation profit / loss	59	124	– 52
Translation differences of foreign business units			
Unrealised profit / losses	35	86	– 59
Changes in value investments accounted for using the equity method recognised directly in equity	– 33	65	> 100
Deferred taxes	– 21	– 129	– 84
	4	**471**	**– 99**
Other profit / loss	**178**	**– 35**	**> 100**
Comprehensive income for the period under review	**696**	**170**	**> 100**
of which: attributable to the owners of NORD/LB	702	266	
of which: attributable to non-controlling interests	– 6	– 96	

For the breakdown of deferred taxes into their individual components the notes to the statement of comprehensive income are referred to.

Balance Sheet

Assets	Notes	31 Dec.2015 (in € million)	31 Dec.2014 (in € million)	Change (in %)
Cash reserve	32	872	1 064	– 18
Loans and advances to banks	33	21 194	23 565	– 10
Loans and advances to customers	34	107 878	108 255	–
Risk provisioning	35	– 2 919	– 2 747	6
Balancing items for financial instruments hedged in the fair value hedge portfolio	36	91	114	– 20
Financial assets at fair value through profit or loss	37	14 035	16 306	– 14
Positive fair values from hedge accounting derivatives	38	2 507	3 483	– 28
Financial assets	39	34 515	45 120	– 24
Investments accounted for using the equity method		290	318	– 9
Property and equipment	40	573	568	1
Investment property	41	77	80	– 4
Intangible assets	42	149	139	7
Assets held for sale	43	58	56	4
Current income tax assets	44	37	57	– 35
Deferred income taxes	44	663	784	– 15
Other assets	45	978	445	> 100
Total assets		**180 998**	**197 607**	**– 8**

Liabilities	Notes	31 Dec.2015 (in € million)	31 Dec.2014 (in € million)	Change (in %)
Liabilities to banks	46	48 810	58 986	– 17
Liabilities to customers	47	60 597	57 996	4
Securitised liabilities	48	35 877	40 714	– 12
Balancing items for financial instruments	49	753	1 176	– 36
Financial liabilities at fair value through profit or loss	50	16 057	18 169	– 12
Negative fair values from hedge accounting derivatives	51	3 148	3 926	– 20
Provisions	52	2 428	2 846	– 15
Liabilities held for sale	53	7	6	17
Current income tax liabilities	54	116	73	59
Deferred income taxes	54	87	100	– 13
Other liabilities	55	306	867	– 65
Subordinated capital	56	4 299	4 846	– 11
Equity	**57**			
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		2 493	1 957	27
Revaluation reserve		454	420	8
Currency translation reserve		– 9	– 10	– 10
Equity capital attributable to the owners of NORD/LB		**7 877**	**7 306**	**8**
Additional equity		50	–	
Equity capital attributable to non-controlling interests		586	596	– 2
		8 513	**7 902**	**8**
Total liabilities and equity		**180 998**	**197 607**	**– 8**

Statement of Changes in Equity

The individual components of equity and their development in 2014 and 2015 are shown in the following statement of changes in equity:

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2014	**1 607**	**3 332**	**2 052**	**122**	**– 6**	**7 107**	**–**	**1 062**	**8 169**
Consolidated profit	–	–	303	–	–	303	–	– 98	205
Increase / decrease from available for sale (AfS) financial instruments	–	–	–	421	– 70	351	–	98	449
Changes in the value of investments for using the equity method	–	–	64	–	–	64	–	– 1	63
Translation differences of foreign business units	–	–	–	–	74	74	–	12	86
Revaluation of the net liability from defined benefit pension plans	–	–	– 586	–	–	– 586	–	– 98	– 684
Deferred taxes	–	–	185	– 125	–	60	–	– 9	51
Other comprehensive income	**–**	**–**	**– 337**	**296**	**4**	**– 37**	**–**	**2**	**– 35**
Adjusted comprehensive income for the period under preview	**–**	**–**	**– 34**	**296**	**4**	**266**	**–**	**– 96**	**170**
Distribution	–	–	– 1	–	–	– 1	–	– 1	– 2
Changes in the basis of consolidation	–	–	– 60	2	– 8	– 66	–	– 369	– 435
Equity as at 31 Dec. 2014	**1 607**	**3 332**	**1 957**	**420**	**– 10**	**7 306**	**–**	**596**	**7 902**

(in € million)	Issued capital	Capital reserves	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2015	**1 607**	**3 332**	**1 957**	**420**	**– 10**	**7 306**	**–**	**596**	**7 902**
Consolidated profit	–	–	547	–	–	547	–	– 29	518
Increase / decrease from available for sale (AfS) financial instruments	–	–	–	55	– 36	19	–	4	23
Changes in the value of investments for using the equity method	–	–	– 27	–	–	– 27	–	–	– 27
Translation differences of foreign business units	–	–	–	1	37	38	–	– 3	35
Revaluation of the net liability from defined benefit pension plans	–	–	212	–	–	212	–	30	242
Deferred taxes	–	–	– 65	– 22	–	– 87	–	– 8	– 95
Other comprehensive income	**–**	**–**	**120**	**34**	**1**	**155**	**–**	**23**	**178**
Adjusted comprehensive income for the period under preview	**–**	**–**	**667**	**34**	**1**	**702**	**–**	**– 6**	**696**
Distribution	–	–	– 127	–	–	– 127	–	2	– 125
Capital increases / decreases	–	–	–	–	–	–	–	– 7	– 7
Changes in the basis of consolidation	–	–	– 4	–	–	– 4	–	1	– 3
other changes in capital	–	–	–	–	–	–	50	–	50
Equity as at 31 Dec. 2015	**1 607**	**3 332**	**2 493**	**454**	**– 9**	**7 877**	**50**	**586**	**8 513**

Other changes in capital mainly relate to net income from the issue of additional equity components. For a more detailed account, see Note (57) Equity.

Cash Flow Statement

	1 Jan.-31 Dec. 2015 (in € million)	1 Jan.-31 Dec. 2014 (in € million)	Change (in %)
Consolidated profit for the period	**518**	**205**	**> 100**
Adjustment for non-cash items			
Depreciation, impairment and write-ups of property and equipment and financial assets	– 496	307	> 100
Increase / decrease in provisions	– 43	229	> 100
Gains / losses from the disposal of property and equipment and financial assets	– 30	– 10	> 100
Increase / decrease in other non-cash items	455	694	– 34
Other adjustments net	– 1 878	– 1 868	1
Sub-total	**– 1 316**	**– 443**	**> 100**
Increase / decrease in assets and liabilities from operating activities after adjustment for non-cash item			
Loans and advances to banks and customers	2 999	2 849	5
Trading assets	789	– 2 754	> 100
Other assets from operating activities	10 054	– 1 651	> 100
Liabilities to banks and customers	– 8 122	2 998	> 100
Securitised liabilities	– 4 970	– 7 526	– 34
Other liabilities from operating activities 5 027	– 696	5 027	> 100
Interest received	7 870	6 676	18
Dividends received	22	28	– 21
Interest paid	– 5 704	– 4 754	20
Income taxes paid	– 64	– 32	100
Cash flow from operating activities	**704**	**418**	**68**

	1 Jan.-31 Dec. 2015 (in € million)	1 Jan.-31 Dec. 2014 (in € million)	Change (in %)
Cash receipts from the disposal of			
financial assets	36	11	> 100
property and equipment	–	7	– 100
Payments for acquisition of			
financial assets	– 1	– 198	– 99
property and equipment	– 77	– 125	– 38
Cash flow from investing activities	**– 42**	**– 305**	**– 86**
Increase in funds from other capital	480	139	> 100
Decrease in funds from other capital	– 1 119	– 307	> 100
Net proceeds from issued additional equity components	50	–	
Interest expenses on subordinated capital	– 153	– 202	– 24
Dividends paid	– 125	– 2	> 100
Cash flow from financing activities	**– 867**	**– 372**	**> 100**
Cash and cash equivalents as at 1 January	**1 064**	**1 311**	**– 19**
Cash flow from operating activities	704	418	68
Cash flow from investing activities	– 42	– 305	– 86
Cash flow from financing activities	– 867	– 372	> 100
Total cash flow	**– 205**	**– 259**	**– 21**
Effects of changes in exchange rates	13	12	8
Cash and cash equivalents as at 31 December	**872**	**1 064**	**– 18**

With regard to cash and cash equivalents as at 31 December, see Note (32) Cash reserve.

We refer to information contained in the risk report concerning the management of liquidity risk in the NORD/LB Group.

The assets and liabilities of subsidiaries over which control was lost during the financial year break down as follows:

Assets (in € million)	Loss of control
Financial assets	2
Property and equipment	5
Total	**7**

Liabilities (in € million)	Loss of control
Liabilities to banks	0
Total	**0**

No fees were received for transactions that resulted in the lose of control of subsidiaries in the period under review.

Notes to the Consolidated Financial Statements

General Disclosures

(1) Principles for the Preparation of the Consolidated Financial Statements

The consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 31 December 2015 were prepared on the basis of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Standards published at the end of the financial year and adopted by the European Union were relevant. National regulations contained in the German Commercial Code (Handelsgesetzbuch, HGB) under § 315a of the HGB were also observed. NORD/LB as a group in terms of commercial law is referred to in the following as the NORD/LB Group.

The consolidated financial statements as at 31 December 2015 comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes. The segment reporting is shown in the notes (Note (18) Segment reporting by business segment and Note (19) Segment reporting by geographical segment). The reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is provided mainly in a risk report within the Group management report.

Assets are always measured at amortised cost, apart from the financial instruments in accordance with IAS 39, which are measured at fair value. In the accounting it was assumed that the company was a going concern. Income and expenses are recognised pro rata temporis. They are recognised and reported in the period to which they relate. Significant accounting policies are described below.

Estimations and assessments required in accordance with IFRS are made on the basis of assumptions and parameters which in turn are made by management duly exercising its discretionary powers. The estimations and assessments are reviewed on an ongoing basis and are based on experience and other factors, including expectations as to future events which appear reasonable under prevailing circumstances. In the process global developments and the industry-specific environment are taken into account.

Estimations and assessments are made relating in particular to the calculation of the fair value of financial assets and liabilities of Level 2 and Level 3 calculation of the fair value of financial assets and liabilities of Level 2 and Level 3 including the estimation of the existence of an active or inactive market (Note (7) Financial instruments) in conjunction with Note (58) fair value hierarchy), valuations of defined benefit obligations in order to establish the underlying parameters (Note (14) Provisions for pensions and similar obligations in conjunction with Note (52) Provisions), the assessment of risk provisions with regard to future cash flows (Note (8) Risk provisioning) in conjunction with Note (35) Risk provisioning), the calculation of deferred tax assets relating to the recoverability of tax losses not yet utilised (Note (16) Income taxes) in conjunction with Note (31) Income taxes, Note (44) Income tax assets and Note (54) Income tax liabilities. If significant estimations were required, the assumptions made are presented. Regarding the effect of the assumptions on the valuation of financial instruments allocated to Level 3, the relevant disclosures concerning sensitivity in Note (58) Fair value hierarchy are referred to.

Estimations and assessments and the underlying assessment factors and methods of estimation are regularly compared with actual events. Provided that an amendment only refers to a single period, amendments to estimations are only taken into account for this period. If an amendment refers to the current and following reporting periods it is duly observed in this period and in the following periods. With regard to the amended estimate for pension provisions, the change in the Mercer method to establish the discount rate is referred to. For more detailed information see Note (14) Provisions for pensions and similar obligations.

Apart from estimates, the following significant discretionary management decisions in respect of the accounting policies of the NORD/LB Group need to be mentioned: The use of the fair value option for financial instruments (Note 7) Financial instruments in conjunction with Note (37) Financial assets at fair value through profit or loss and Note (50) Financial liabilities at fair value through profit or loss) the non-use of the categorisation of financial instruments as Held to Maturity (HtM), the non-use of the reclassification provisions of IAS 39, the separation of finance lease and operating lease (Note (10) Lease transactions in conjunction with Note (74) Lease agreements) the use of provisions (Note (14) Provisions for Pensions and similar Obligations and Note (15) Other provisions in conjunction with Note (52) Provisions), the existence of designated assets held for sale (Note (13) Assets held for sale in conjunction with Note (43) Assets held for sale) and the assessment of shares in companies (Note (4) Basis of Consolidation in conjunction with Note (80) Disclosure concerning shares in companies.

The reporting currency for the consolidated financial statements is the euro. All amounts are reported rounded in euro millions (€ million), unless otherwise is indicated. The previous year's figures are shown afterwards in brackets.

These consolidated financial statements were signed by the Managing Board on 18 March 2016 and approved for submission to the Supervisory Board.

(2) Adopted IFRS

In these consolidated financial statements all standards, interpretations and their respective amendments which have been endorsed by the EU and also relevant for the NORD/LB Group in the financial year 2015 were adopted.

In the period under review consideration has been given to the following standards and amendments to the standards which were first applied as at 1 January 2015 for the NORD/LB Group:

IFRIC 21 – Levies

In May 2013 the IASB issued IFRIC 21 as an interpretation of IAS 37 concerning levies. A liability for levies needs to be recognised when the obligating event that triggers the payment of the levy occurs. The occurrence of the event is to be defined by the wording of the respective legislation. According to the amendment to the Restructuring Fund Regulation (Restrukturierungsfondsverordnung) that took effect on 1 January 2015, the annual contribution for the EU's Single Resolution Fund has to be paid at the start of each and every year. From 2015 the provision for the expected annual contribution will therefore be recognised in full at the start of the year, while formerly the provisions for the German bank levy were allocated on a pro-rata basis. See Note (28) Other operating profit/loss for the details. In the same way as for the bank levy, and in accordance with the provisions of the Deposit Guarantee Act (Einlagensicherungsgesetz), the provision for the contribution for the EU deposit guarantee scheme is no longer to be made on a pro-rata basis, but the provision for the full amount is to be made at the start of the accounting period. It is reported under administrative expenses.

Improvements to IFRS (2011 - 2013 Cycle) within the scope of the IASB's Annual Improvements Process

As part of the annual improvement process, amendments to four standards IFRS 1, IFRS 3, IFRS 13 and IAS 40 were made. With the change in the wording, the individual IFRSs should be clarified.

The annual improvements to IFRS (cycle 2011 – 2013) do not have a significant impact on NORD/LB's consolidated financial statements.

As is allowed, we have not yet applied the following standards and amendments to standards which have been adopted in European law and which did not have to be implemented for NORD/LB Group's consolidated financial statements prior to 31 December 2015:

Amendments to IFRS 11 – Accounting of the acquisition of an interest in a joint operation

As part of the amendments to IFRS 11 applicable from 1 January 2016, it is explained how the acquisition of an interest in a joint operation that is a business in the sense of IFRS 3 is to be accounted for. Within the scope of the acquired interest, all of the principles defined in IFRS 3 or in other standards for the accounting of business combinations are to be applied and the relevant disclosure requirements are to be considered.
There are currently no cases in the NORD/LB Group to which the amendments to IFRS 11 apply.

Amendments to IAS 1 – Presentation of the Financial Statements

The amended standard published on 18 December 2014 implements the initial proposals for the amendment of IAS 1 – Presentation of the Financial Statements, which require implementation at short notice. The amendments emphasise the concept of materiality to facilitate the communication of relevant information in IFRS financial statements. This will be achieved by non disclosing of immaterial information, the possibility of supplementary subtotals and greater flexibility in the structure of the notes. Further, the breakdown of other comprehensive income (OCI) will be clarified in the statement of comprehensive income.
The amendments to IAS 1 applicable for reporting periods commencing on or after 1 January 2016 do not have a significant effect on NORD/LB's consolidated financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

On 12 May 2014 the IASB published amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets concerning acceptable methods that enable the appropriate presentation of the use of the future economic benefit. It was clarified that for property, plant and equipment depreciation on the basis of revenue of the goods generated by it is not appropriate and is only allowed for intangible assets with a limited useful life in explicitly specified exceptional cases. The amendments must be applied for the first time for financial years commencing on or after 1 January 2016.
As depreciation methods are not used in the NORD/LB Group, the amendments to IAS 16 and IAS 38 are not expected to have any effect.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendment of IAS 19 – Employee Contributions (published in November 2013) clarifies the stipulations associated with the allocation of employee contributions of third-party contributions to the service periods if the contributions are linked to length of service. Additionally, waivers are available if the contributions are independent of the number of years of service. The amendments to IAS 19, due to their adoption in EU law, must be applied by the NORD/LB Group for the first time from 1 January 2016.
The amendments to IAS 19 will not have any significant effect on the NORD/LB Group's consolidated financial statements.

The following standards, amendments to standards and interpretations have not been adopted into European Law by the EU Commission as at the date of the preparation of the consolidated financial statements:

IFRS 9 – Financial Instruments

In July 2014 the IASB completed its project to replace IAS 39 with the publication of the final version of IFRS 9 – Financial Instruments. IFRS 9 contains the following key regulatory areas:

Classification and measurement of financial assets and financial liabilities

The classification of financial assets will in future be based on the reporting entity's business model and the contractually-agreed cash flows of the asset. IFRS 9 requires that all financial assets are measured at fair value. Subsequent reporting at amortised cost is only allowed if the financial instrument has been assigned to a portfolio with the business model "Hold" and has payment flows that are typical of a basic credit relationship.

For financial assets the previous rules concerning the separation of embedded derivatives no longer apply.

The regulations relating to financial liabilities are largely unaltered compared to IAS 39. The main difference with the previous regulation concerns the use of the fair value option. The rating-induced changes in the valuation of financial liabilities will in future be shown under other comprehensive income (OCI); the remaining changes in valuation will continue to be reported in the income statement.

Impairments of financial assets

These cover financial assets not measured at fair value through profit or loss, some credit commitments and financial guarantees. The new impairment model moves away from the concept of incurred loss towards the concept of expected loss. Based on the new impairment model, financial instruments, loan commitments and financial guarantees will, depending on the change in their credit quality, be divided into three stages. The calculation of the expected loan loss will depend on the stage to which a financial instrument, loan commitment or financial guarantee has been allocated. In Stage 1 the expected loan losses will be calculated in the amount of the expected loss with a time horizon of one year. In Stage 2 and 3 the expected loan loss will be calculated over the term of the financial instrument (lifetime expected loss).

Exceptions exist for trade receivables and leasing receivables. Trade receivables without major financing components must and trade receivables with major financing components and leasing receivables may be considered at the time all expected losses occur.

Hedging transactions

For Hedge Accounting, the IASB decided to divide this issue into two sections, General Hedge Accounting and Macro Hedge Accounting. Macro Hedge Accounting is not part of the published IFRS 9 and is being worked on as an independent project by the IASB. Until the new rules for Macro Hedge Accounting are published, the rules of IAS 39 concerning the portfolio fair value hedge for interest-rate risks will remain. For the standard concerning General Hedge Accounting, there is the option of this applying from 1 January 2018 or continuing to use the rules of IAS 39. The objective of IFRS 9 is greater focus on operational risk management. Compared to the provisions of IAS 39, the role of qualitative application criteria was strengthened compared to quantitative application criteria. In addition, the group of underlying and hedging transactions which are eligible for hedge accounting was extended significantly and additional designation options were created. Regarding the effectiveness of hedging relationships, this will no longer be based on a strict effectiveness threshold on a percentage basis in future.

Subject to its adoption in EU law, the application of IFRS 9 will be mandatory for financial years that start on or after 1 January 2018.

It is expected that IFRS 9 will have a significant impact on the accounting, valuation and reporting in future consolidated financial statements. The effects of IFRS 9 are currently being evaluated. For this purpose a programme has been set up whose projects are oriented towards the phases of IFRS 9.

IFRS 15 – Revenue from Contracts with Customers

In May 2014 IASB and FASB published a joint accounting standard for recording income which brings together the majority of former rules and at the same time sets down basic uniform principles that apply to all industry groups and categories of revenue-related transactions. Alongside the fulfilment of a new five-stage scheme for determining revenue recognition, the standard comprises provisions relating to detailed issues such as multi-component transactions and for handling service agreements and contractual amendments as well as an extension of the necessary disclosure requirements. IFRS 15 will replace the content of IAS 18 – Revenue and IAS 11 – Construction contracts and the interpretations IFRIC 13, IFRIC 15 and IFRIC 18 and SIC 31.

In September 2015 the IASB published an amendment to IFRS 15. The standard must now be applied for the first time for financial years commencing on or after 1 January 2018.

The analysis of the potential effects of IFRS 15 on the NORD/LB Group had not been completed by the reporting date. The extent to which current reporting practice will have to be varied due to the new provisions under IFRS 15 can only be determined on conclusion of the investigations.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Application of the Consolidation Measure

In the amendments, questions concerning the application of the consolidation exception for investment entities are settled. Subject to its adoption in European law, the application of the amendments will be mandatory for financial years commencing on or after 1 January 2016.

The amendments to these standards are not expected to have a significant impact on NORD/LB's consolidated financial statements.

The following amendments to standards have not yet been adopted in European law:

- Amendments to IFRS 10 and IAS 28 – Sales or Contributions of Assets between an Investor and its Associate/Joint Venture
- Effective date of amendments to IFRS 10 and IAS 28

On 17 December 2015 the IASB published its amendment to defer the effective date of the amendments to IFRS 10 and IAS 28 indefinitely, as an inconsistency between the amendments and the existing rules of IAS 28 was identified and further adjustments to the equity method are planned after a research project has been completed.

The effects of the amendments on the NORD/LB Group will therefore not be analysed until the final amendment has been published by the IASB.

The amendments to standards described above are expected to be implemented on the dates when their application first becomes mandatory.

(3) Consolidation Principles

The NORD/LB Group's consolidated financial statements, prepared in accordance with uniform accounting policies throughout the Group, comprise the financial statements of the parent company (NORD/LB) and of the companies controlled by the parent company and the subsidiaries it controls. Control is deemed present if one group company has the power to take decisions relating to the material business activities of another company, is entitled to variable returns and is able to influence such returns by exercising its decision-making authority.

Alongside original investments, the NORD/LB Group is also examining customer relationships for control issues.

The assessment of whether the Group controls loan-financed project companies that are in financial difficulties due to e.g. the ongoing difficult situation on the shipping markets and thus is required to include them in the consolidated financial statements as a subsidiary represents a significant discretionary decision. Due to its lending relationships with these companies, the NORD/LB Group is consistently exposed to variable returns. What is key to the question of whether it controls a specific company is whether its rights under the loan agreement give it a right of determination over the company and whether the shareholders act as principal or agent of NORD/LB in accordance with IFRS 10. NORD/LB assesses the latter criterion using the following three factors: (1) Type and scope of the participation of the shareholders in the company's opportunities and risks, (2) extent of decision-making authority and (3) the Bank's rights of termination. The NORD/LB Group will reevaluate the duty to consolidate if an event of default occurs or the structure of the company changes.

A further key discretionary decision is the assessment of whether the NORD/LB Group controls a fund due to its activity as a fund manager or capital management company. The NORD/LB Group will satisfy the first two criteria of the definition of control (decision-making authority and variable returns). In terms of the duty to consolidate of this fund, the key issue is whether the Group acts as the principal or merely as the agent of the investors, because these delegate their decision-making authority to the NORD/LB Group. In terms of this assessment, the scope of the decision-making authority of the NORD/LB Group, the investor's rights of termination and its overall participation in the returns of the fund as compared to other investors will be taken into account.

Company mergers are reported using the purchasing method of accounting, i.e. assets and liabilities relating to subsidiaries were recognised at fair value on consideration of deferred taxes on the date on which a controlling interest was gained. Goodwill resulting from initial consolidation is reported under intangible assets. The value of goodwill is reviewed at least once a year and is the subject of unscheduled depreciation if necessary. Shares in the equity of subsidiaries which are not held by the parent company are reported as non-controlling interests in consolidated equity at the level of their share in the identifiable net assets of the acquired company.

If the subsidiary is a partnership, the non-controlling interests will be reported as liabilities.

If the equity of the consolidated partnerships is negative at the time of initial consolidation, it will be assigned completely to the NORD/LB Group. Pre-existing contractual relationships will be terminated at the time of the consolidation and will be derecognised in return for the consolidation.

Receivables and liabilities and expenses and income generated within the Group are eliminated in the consolidation of intercompany balances and income and expenses. Intragroup profits and losses are consolidated in the elimination of intercompany profits and losses.

Results of subsidiaries included or disposed of during the course of the year are recognised in the income statement as at the effective date of acquisition or up to the effective date of disposal, respectively.

A joint venture is a joint agreement whereby the parties responsible for the joint management of the agreement have rights to the net assets of the agreement.

An affiliated companies is a company over which the investor has material influence.

at their carrying amounts. The non-controlling interests in the former subsidiary are also derecognised. A fair value of the consideration received is recorded. Any Joint ventures and affiliated companies are accounted for using the equity method and are reported as shares in companies accounted for using the equity method. Under the

equity method the shares of the NORD/LB Group in the affiliated company or joint venture are initially set at the level of the purchase costs. Thereafter the shares are increased or reduced by the company's share in the accrued profit or loss or in the other comprehensive income (OCI) of the affiliated company or joint venture. If the shareholding of the NORD/LB Group in the losses of an affiliated company or joint venture corresponds to or exceeds the value of the shares in this company, no further loss components are measured unless the Group has entered into legal or de facto obligations or makes payments instead of the company valued at equity.
For transactions between a Group company and a joint venture or an affiliated company, profits and losses are eliminated in proportion with the shareholding of the Group in the respective company.
Deconsolidation is carried out from the date on which a controlling influence over the subsidiary ceases to exist. The assets and liabilities of the subsidiary are derecognised interest retained in the former subsidiary is recorded at fair value. Any differences arising from the recording and derecognising processes are recorded in the Group's income statement. Amounts recorded in the other comprehensive income (OCI) in earlier periods in connection with this subsidiary are derecognised in the Group income statement or, if required by a different IFRS, directly in the retained earnings.

(4) Basis of Consolidation

In addition to NORD/LB as the parent company, the consolidated financial statements include 42 (50) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB is in a position to exercise control in another manner. Additionally, 2 (2) joint ventures and 12 (12) affiliated companies are recorded. One affiliated company is held for sale and, in accordance with IFRS 5.15, measured at the lower of the carrying amount and fair value less costs of disposal. The joint ventures and affiliated companies are accounted for using the equity method.
Compared to 31 December 2014, the basis of consolidation has changed as follows:
On 31 May 2015, with retrospective effect of 1 January 2015, the fully-consolidated NORD/LB COVERED FINANCE BANK S.A., Luxemburg-Findel, was merged with the fully-consolidated Norddeutsche Landesbank Luxembourg S.A., Luxemburg-Findel and renamed NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel. The renamed company is fully consolidated.
On 30 June 2015 the previously fully-consolidated BLB Grundbesitz KG, Bremen, merged with Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale- , Bremen.
KG Schifffahrtsgesellschaft MS Klara mbH & Co., Jork, was deconsolidated with effect of 30 September 2015. The owner (shipping line) was previously viewed as a de facto agent in accordance with IFRS 10. In the third quarter the ship upon which the business was based was sold and the loan was repaid. There is no longer a business relationship with the company, and the owner is no longer classified as a de facto agent. The profit from the deconsolidation totalled € 1 million.
In addition, the fully-consolidated BLBI Investment GmbH & Co. KG, Bremen, was merged with BLB Immobilien GmbH, Bremen, on 1 October 2015.
The subsidiary TLN Beteiligung Anstalt des öffentlichen Rechts & Co. KG, Hannover, newly established in December 2015 is fully consolidated for the first time with effect of 31 December 2015.
The Niraven Group is with effect of 31 December 2015 no longer included in the consolidated financial statements. The administrator employed

for the management of the properties in the companies was previously viewed as a de facto agent in accordance with IFRS 10. With the sale of the properties the loan relationship was terminated. There is no longer a business relationship with the Niraven Group. With the end of the administration, there is no longer a de facto agent. The loss from the deconsolidation totalled € 2 million.

The two credit commitments (single-ship companies) Happy Auntie S.A., Majuro / Marshallinseln, and Proud Parents Investments Co., Majuro/Marshallinseln, are included for the first time with effect of 3 December 2015 as fully-consolidate subsidiaries in the basis of consolidation. With the start of the remarketing process, the owner is no longer viewed economically as the principal. The process is largely managed by the NORD/LB Group, with has, as the creditor, a controlling influence over the key business activities of the companies. With the consolidation, the loan relationships with the two companies are terminated. The termination of the loan relationship at fair value resulted in a loss of € 4 million. The loan receivables in the amount of € 13 million were derecognised in return for the consolidation. Cash was not exchanged in the transaction. The essential assets of the single-ship companies are two ships with a total market value of € 13 million that are reported under property and equipment.

Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen, a joint venture newly established in December 2015, is included with effect of 31 December 2015 for the first time in NORD/LB's consolidated financial statements. It is accounted for using the equity method.

Following the sale of the shares in the joint venture LHI Leasing GmbH, Pullach im Isartal, that was previously accounted for using the equity method, is with effect of 30 June 2015 no longer included in the consolidated financial statements. The sale did not have a significant effect.

Subsidiaries, joint ventures and affiliated companies included in the consolidated financial statements are shown in Note (85) Equity holdings.

(5) Currency Translation

Monetary assets and liabilities in foreign currencies and non-monetary items recognised at fair value were translated using the reference exchange rates of the European Central Bank (ECB reference exchange rates) as at the measurement date. Non-monetary items carried at cost are recognised at historical rates. Expenses and income in foreign currencies are translated at market exchange rates. Currency differences relating to monetary items are always shown in the income statement; non-monetary items are recognised through profit or loss of such items under other comprehensive income (OCI) or in the income statement.

The assets and liabilities of foreign subsidiaries were translated using ECB reference exchange rates as at the measurement date; with the exception of the revaluation reserve (closing rate method) and the profit for the year, equity is translated using historical currency rates. Income and expenses are translated into the Group currency at period-average exchange rates; resulting translations are reported as a separate item under other comprehensive income. On disposal, the cumulative amount of exchange differences is included in the gain or loss on disposal.

(6) Interest and Commission

Income is recorded if the economic benefit from the transaction with the NORD/LB Group will be received with sufficient probability and the amount of the income and the associated expenses can be reliably determined. It is measured at the fair value of the consideration received or to be claimed.

Interest from interest-bearing assets and liabilities is realised taking into account the effective inte-

rest method on a pro-rata basis and reported under interest income or interest expenses.
With impairments of interest-bearing assets, the interest income is calculated using the interest rate used to determine the impairment (unwinding).
Dividend income is recognised from the date of legal entitlement to the dividends under interest income.

Commission income is recognised in the income statement from the date the service was performed. If the service is provided over several periods, the income from the service is recognised based on the level of completion on the balance sheet date.

(7) Financial Instruments

A financial instrument is defined as a contract which results in a financial asset for one company and a financial liability or an equity instrument for another. Financial instruments are reported accordingly in the NORD/LB Group. They are allocated to valuation categories and measured according to this classification in accordance with IAS 39 requirements.
The financial instruments contain financial guarantees in accordance with the definition of IAS 39.

a) Addition to and disposal of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to a contract in accordance with the contractual provisions of the financial instrument. In the case of the regular cash purchases or cash sales of financial assets, the date of trade and the date of settlement generally do not fall on the same date. These regular cash purchases or cash sales bear the option of recognition as at the date of trade (trade date accounting) or as at the date of settlement (settlement date accounting). Trade date accounting applies for the recognition and disposal of all financial assets transacted by the NORD/LB Group.
IAS 39 disposal regulations comply with both the concept of risk and reward and of control; measuring risks and rewards should be given priority over measuring the transfer of control on verifying derecognition entries.
The continuing involvement approach is employed when opportunities and risks are only partly transferred and control is retained. In this case a financial asset is recognised to the extent equivalent to its continuing involvement on consideration of certain accounting policies. The extent of continuing involvement is determined by the scope in which the Group continues to bear the opportunities and risks of changes in the values of the assets transferred.
A financial liability (or part of a financial liability) is derecognised when the liability has been eliminated, i.e. when the liabilities specified in the contract have been settled or eliminated or if they have expired. The reacquisition of the banks own debt instruments is also included in the derecognition of financial liabilities. Differences between the carrying amount of a liability (including premiums and discounts) and the purchase price are recognised through profit or loss; a new financial liability whose cost of acquisition is equivalent to the sales proceeds will arise in the case of resale at a later date. Differences between these new costs of acquisition and the amount repaid are spread over the remaining term of the debt instrument in accordance with the effective interest method.
As is the case with financial liabilities, financial assets (or parts of financial assets) are derecognised when the receivables stated in the contract have been settled, cancelled or have expired. This may for example be the case if the contract terms are modified significantly in a restructuring.

b) Categorisation and measurement

Fair value is applied when financial assets and financial liabilities are recognised for the first time. For financial instruments in the categories

Loans and Receivables (LaR), Held to Maturity (HtM), Available for Sale (AfS) and Other Liabilities (OL), transaction costs are included in the cost of acquisition if they are directly apportionable. They are accounted for in the nominal value or the repayment amount on distribution of premiums and discounts in compliance with the effective rate of interest component. Transaction costs for financial instruments in the categories financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent measurement of financial assets and financial liabilities is contingent on the IAS 39 category under which the assets or liabilities had been classified on the date of acquisition:

ba) Loans and receivables (LaR)

Non-derivative financial assets involving fixed or determinable payments which are not listed in an active market are allocated to this category provided that they have not been classified as financial assets at fair value through profit or loss or available for sale. The Loans and Receivables category is the largest in the Group since this ca tegory essentially comprises all traditional credit and loan transactions. Subsequent measurement is at amortised cost applying the effective interest method. The recoverability of Loans and Receivables (LaR) is verified and they are written down if necessary on each balance sheet reporting date and in the event of indications of potential impairment losses (cf. Notes (8) Risk provisioning, (21) Loan loss provisions and (25) Profit / loss from financial assets). Appreciations in value are recognised through profit or loss. The upper limit for appreciations in value is the amortised cost which would have resulted at the date of measurement without impairment losses. Interest income is recorded in the net interest income, and commission income in the net commission income.

bb) Held to Maturity (HtM)

Non-derivative financial assets involving fixed or determinable payments and a fixed term are classified in this category if they are intended to be held until maturity. They may be allocated if the financial instruments are not classified as financial assets at fair value through profit or loss (AFV), as available for sale (AfS) or as Loans and Receivables (LaR). Subsequent measurement is at amortised cost applying the effective interest method. The Held to Maturity category is currently not employed in the NORD/LB Group.

bc) Financial assets or financial liabilities at fair value through profit or loss (AFV)

This category is divided into two sub-categories:

i) Held for Trading (HfT)

This sub-category comprises financial instruments (trading assets and liabilities) acquired with the intention of selling or buying these back in the short term and contains all the derivatives which do not constitute hedging instruments within the scope of hedge accounting. Trading assets essentially comprise money market instruments, bonds and debt securities and derivatives with a positive fair value. Trading liabilities mainly comprise derivatives with a negative fair value and delivery obligations resulting from futures sales. Trading assets and liabilities are recognised at fair value through profit or loss upon subsequent measurement. There is no amortisation at constant effective interest rates of premiums and discounts. Interest and dividend income are recognised under the items interest income or interest expenses. Effects from a change in the fair value and the net commission income are reported under trading profit/loss.

ii) Designated at Fair Value through Profit or Loss (DFV)

Any financial instrument can be allocated to this sub-category, known as a fair value option, provided that certain requirements are met. Exercising the fair value option means that recognition and measurement mismatches resulting from different measurement methods for financial assets and liabilities is avoided or significantly reduced (for example, by presenting economic hedges of structured bond issues and corresponding derivatives without having to fulfil the restrictive requirements of hedge accounting). Allocation to this category also meant that embedded derivatives in structured products do not need to be separated. If the components of structured products that have to be reported separately can no longer be reliably measured separately, the whole structured product is to be categorised at fair value through profit or loss. The category was used in some cases because the management and measurement of the performance of a portfolio is at fair value. More information on the type and the scope of application of the fair value option in the Group is presented in Note (37) Financial assets at fair value through profit or loss and in Note (50) Financial liabilities at fair value through profit or loss. Financial instruments measured using the fair value option are measured at fair value through profit or loss upon subsequent measurement. There is no separate amortisation at constant effective interest rates of premiums and discounts. Interest and dividend income are recognised under the items interest income or interest expenses. Profit/loss from fair value and net commission income are reported under profit/loss from the fair value option.

bd) Available for sale (AfS)

Any non-derivative financial assets which have not been assigned to any of the aforementioned categories are allocated to this category. These assets are primarily bonds, debt securities, shares and investments which are not measured in accordance with IAS 10, IAS 11 or IAS 28. Subsequent measurement is at fair value.

Measurement is at cost if the fair value of financial investments in equity instruments such as certain shares or investments for which no price is available on an active market (and the relating derivatives which can only be settled by way of offer) cannot be determined with sufficient reliability. The result of the measurement at fair value is reported under other comprehensive income (OCI). In the event of the sale of the financial asset, the accumulated estimated profit/loss reported in the revaluation reserve is written back and reported in the income statement.

With equity instruments differences between the cost of acquisition and repayment amounts are amortised in recognition of profit or loss on application of the effective interest method. Interest is reported under the items interest income, commission is reported under the item commission income.

Impairment is only carried out in the case of rating-induced impairment. The occurrence of rating-induced impairment is examined at least once a year on the basis of specific objective factors. Objective factors in this context are the trigger events listed in IAS 39, for example significant financial difficulty of the issuer or the obligor or a breach of contract or default or delay in interest or principal payments. In addition to the criteria of permanence, a measurable decrease in the fair value of equity securities to below the acquisition cost is an objective indication of impairment.

For rating-induced impairments the difference between the carrying amount and the current fair value or for measurement at acquisition cost the difference between the carrying amount and the present value of the estimated future cash flows is to be taken into account in the income statement. Appreciations in the value of debt capital instruments are recognised in the amount of the appreciation through profit or loss in the income statement as well as in other comprehensive income (OCI). Appreciations in the value of equity instruments measured at fair value are always recognised in other comprehensive income (OCI). Appreciations in the value of equity instruments measured at acquisition cost are not allowed.

be) Other liabilities (OL)

This category includes in particular liabilities to banks and customers, securitised liabilities and subordinated capital provided that these liabilities have not been designated at fair value under the fair value option. Subsequent measurement is at amortised cost applying the effective interest method. Interest expenses are recorded in the net interest income, and commission expenses in the net commission income.

The carrying amounts and gains/losses for each measurement category are presented in Notes (59) and (60).

c) Reclassification

In accordance with the regulations of IAS 39, financial instruments are allowed to be reclassified from the HfT (trading assets) category to the LaR, HtM and AfS categories and from the AfS category to the LaR and HtM categories under certain circumstances. The NORD/LB Group did not make use of this right to reclassify.

d) Establishing fair value

The unit of account upon which the value of financial instruments is based is determined by IAS 39. In the NORD/LB Group the single financial instrument is the measurement unit, so long as IFRS 13 does not allow an exception.

The fair value of financial instruments according to IAS 39 in conjunction with IFRS 13 reflects the price at which an asset can be sold or a liability transferred in an ordinary transaction between market participants on the measurement date, i.e. the fair value is a market-related and not a company-specific value. According to IFRS 13, the fair value is the price that can either be observed directly or a price established by a measurement method which, in an ordinary transaction, i.e. a sale or a transfer, could be achieved on the main market or the most advantageous market on the measurement date. It is therefore an exit price, i.e. the measurement as at the measurement date is always based on a fictitious, possible market transaction. If there is a main market, the price on this market represents the fair value, independently of whether the price can be observed directly or will be calculated on the basis of a valuation method, and even if the price is potentially more advantageous on another market.

da) Financial instruments which are reported at fair value in the balance sheet

In the NORD/LB Group the three-stage fair value hierarchy is used with the Level 1, Level 2 and Level 3 terminology of IFRS 13.

The respective level is determined by the input data used in the measurement and reflects the market proximity of the variables included in establishing the fair value. If input data from various levels of the fair value hierarchy is used in the calculation of the fair value, the resulting fair value of the financial instrument is assigned to the lowest level of the input data which has a significant influence on the fair value measurement.

Level 1

Under the fair value hierarchy, a financial instrument is categorised in Level 1 if it is traded on an active market and is used to establish the fair value of publicly listed market prices or prices actually traded on the over-the-counter market (OTC market). If no market prices or prices actually traded on the OTC market are available, in the measurement the feasible prices quoted by dealers are used for measurement purposes, with prices quoted by other banks or market makers being applied when price sources other than stock exchange quoted prices are used. These instruments are then assigned to Level 1 if there is an active market for these broker quotations, i.e. if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the broker quotations are for (mixed) prices or if the price is established on a non-active market, these are not assigned to Level 1, but to Level 2 of the measurement hierarchy, if the quotations concern binding offers, observable prices or market transactions.

The Level 1 prices are taken over without any adjustment. Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value, financial assets recognised at fair value, other assets and other liabilities.

Level 2

In the event that no price quotes are available, the fair value is calculated by means of recognised measurement methods or models as well as by means of external pricing services, if measurement in this case is carried out either fully or to a significant degree using observable input data such as spread curves (Level 2). For the measuring of financial instruments, these methods include measurement methods which are established on the market (e.g. discounted cash-flow-method and the Hull-White model for options) whose calculations are always based on input parameters available on an active market. A requirement here is that variables which market participants would have taken into account when specifying prices are included in the measurement process. Wherever possible, respective parameters are taken from markets on which the instruments are issued or acquired.

Measurement models are employed primarily for OTC derivatives and securities listed on inactive markets. The models include a range of parameters such as for example market prices and other market quotations, risk-free interest-rate curves, risk premiums, exchange rates and volatilities. The parameters for the models are always chosen using prevailing market methods.

For securities on the assets side for which there is no active market and for which measurement can no longer be based on market prices, fair value is determined for measurement purposes in accordance on the basis of discounted cash flows. For discounted cash flow methods, all payments are discounted by the risk-free interest-rate curve adjusted for the credit spread. Spreads are determined on the basis of comparable financial instruments (for example on consideration of the respective market segment and the issuers credit rating).

The financial instruments in the NORD/LB Group to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation into active and inactive markets. Changed market assessments are consistently included in measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible. The measurement model for financial instruments for which no prices listed in active markets can be used is based on term-related interest rates, the credit rating of the respective issuer and where applicable further components such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial assets and liabilities designated at fair value, financial assets recognised at fair value and other assets.

Level 3

Financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation employs models such as market-based discounted-cash-flow models that are specific to the bank as well as data which is not observable on the market. The input parameters used in these methods include among other things assumptions about cash flows, loss estimates and the discount rate and are gathered as far as possible on a near-market basis.

The Level 3 method is partly used to measure interest-bearing securities, derivatives and asset-backed securities (ABS) / mortgage-backed securities (MBS) for which the market has been classified as being inactive. Additionally, loans intended for syndication and associated derivatives are allocated to Level 3. Individual tranches of collaterallised debt obligations (CDO) and equity structures are also measured in accordance with Level 3. Level 3 financial instruments include trading assets and liabilities, derivatives, financial instruments designated at fair value and financial assets recognised at fair value.

Establishing fair values

All measurement models applied in the Group are reviewed periodically. The fair values are subject to internal controls and processes in the NORD/LB Group. These controls and processes are carried out and coordinated in the Finance and Risk Control Division. The models, the data used in them and the resulting fair values are reviewed regularly.

In the measurement appropriate consideration is given to all relevant factors such as the bid-ask spread, counterparty risk and typical discounting factors. In the context of the bid-ask spread, measurement is always based on the average price. The financial instruments concerned are in particular securities or liabilities whose fair values are based on prices listed on active markets and financial instruments such as OTC derivatives whose fair values are established using a measurement method and for which the average price is an observable input parameter in the measurement method.

In addition, the option to calculate the counterparty risk (credit value adjustment (CVA)/debit value adjustment (DVA)) on the basis of the net risk position in accordance with IFRS 13.48 was exercised. The CVA/DVA is allocated to individual transactions in the balance sheet using the relative credit adjustment approach.

For derivatives of OTC markets there are generally no listed prices available, the fair values are therefore established using other measurement methods. The fair values are initially measured using cash flow models without taking into account the credit default risk. For the correct measurement of fair values, both the credit default risk of the counterparty (CVA) and the Bank's own credit default risk (DVA) need to be considered. The credit default risk is considered by way of an add-on.

Secured OTC derivatives are primarily measured by the NORD/LB Group using the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are no longer discounted with the tenor-specific interest rate, but with the OIS interest rate curve. Unsecured derivatives will continue to be discounted with the tenor-specific interest rate to establish their fair value.

For some of the NORD/LB Group's liabilities recognised at fair value, the guarantor liability of the State of Lower Saxony, the State of Saxony-Anhalt and the State of Mecklenburg-Western Pomerania apply. The effect of the guarantee is considered in the fair value measurement of the liabilities.

db) Financial instruments which are reported at fair value for disclosure purposes

Basically the same rules apply for financial instruments whose fair value is established solely for disclosure purposes as for financial instruments whose fair value is reported in the balance sheet. The financial instruments include for example the cash reserve, loans and advances to and liabilities to banks and customers, certain debt securities and company shares, securitised liabilities and subordinated capital.

For the cash reserve and short-term loans and advances to and liabilities to banks and customers (sight deposits), the nominal value is considered to be the fair value due to their short-term nature.

For securities and liabilities, in practice, like with financial instruments recognised at fair value in the balance sheet, a range of measurement methods (e.g. market or reference prices or measurement models) are used. The discounted cashflow model is used as a rule. In order to establish the value a risk-free yield curve is often used and adjusted with risk premiums and where applicable other components. For liabilities NORD/LB's own credit default risk is used as the risk premium. An appropriate level allocation in the existing fair value hierarchy is made according to the significance of the input data.

For long-term loans and advances to and liabilities to banks and customers and for investments no observable market prices are available, as no observable primary or secondary markets exist. The fair value for these financial instruments is established using recognised measurement methods (discounted cash flow model). The input data for this model are the risk-free interest rate, a risk premium and where applicable further premiums to cover administrative and equity costs.

Further information on the fair value hierarchy and the fair values of financial instruments can be found in Note (59) Fair value hierarchy.

e) Measurement of investments which do not fall under IFRS 10, IFRS 11 or IAS 28

Investments which do not fall under IFRS 10, IFRS 11 or IAS 28 are measured at fair value. If the fair value of financial investments in equity instruments which do not have a listed price on an active market cannot be reliably established, they are measured at acquisition cost.

If investments are traded on an active market, the market/stock exchange price is used to determine the fair value. If it is not possible to use prices listed on active markets, the fair value is established using recognised measurement methods. The NORD/LB Group uses the income value method. This method is allocated in the fair value hierarchy in accordance with IFRS 13 to Level 3 (cf. Note (58) Fair value hierarchy).

The fair value is calculated in the income value method from the present value of the shareholders future net earnings associated with the ownership of the company.

The net earnings of shareholders, which are discounted to calculate the income value, relate primarily to the distributions of financial profits generated by the company. The starting point for calculating the fair value of the participating interest is a forecast for earnings performance for the current year, a detailed plan for the following year and where applicable the medium-term plan for up to the following four years (planning phase I). For the following years beyond the planning horizon of planning phase I in general perpetuity of the undertaking is assumed. For this purpose a perpetual annuity is calculated which should reflect the long-term situation of the affiliated company (planning phase II). These anticipated future profits are discounted taking into account the anticipated distributions on the reporting date.

The discount rate used reflects the yield from an adequate alternative investment in respect of maturity and risk to the investment in the affiliated company and is derived on the basis of a capital market model. It comprises the components of risk-free interest according to the base curve and the risk premium for future financial profits. The risk premium is the product of an average market risk premium and the beta factor which expresses the specific risk structure of the company to be valued. The beta factor describes as a relative measure to what extent the yield of the respective share in the affiliated company follows changes in the yield of the market portfolio.

In order to value investments in companies which are not listed on the stock exchange, comparison groups of similar titles traded on the stock exchange are formed and for each individual value the beta factor is calculated in relation to the respective broadest national index. In brief, the beta factor of the comparison group calculated in this way is a significant multiplier used when calculating the capitalisation interest.

f) Structured products

Structured products comprise two components - a basic contract (host contract, e. g. security) and one or several embedded derivative financial instruments (embedded derivatives, e.g. swaps, futures or caps). The two components are the subject matter of a single contract relating to the structured product, i.e. these products constitute a legal unit and may not be negotiated separately due to the circumstance of a contractual unit.

In accordance with IAS 39 an embedded derivative is to be separated from the host contract and accounted for as a separate derivative provided that all of the following criteria are fulfilled:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument.
- The structured product is not measured at fair value through profit or loss.

If separation of financial instruments is obligatory, these financial instruments are measured and recognised separately in the NORD/LB Group, provided they have not been classified as AFV. The host contract is accounted for in compliance with the regulations of the category to which a financial instrument is allocated and embedded derivatives are accounted for at fair value through profit or loss as part of the trading assets or trading liabilities.

g) Hedge accounting

Hedge accounting is the balance sheet presentation of hedge accounting. In this framework, hedging relationships are established between underlying items and hedging transactions. The aim is to avoid or reduce fluctuations in profits and equity resulting from differing measurements of underlying and hedging transactions.

A distinction is made between three basic forms of hedges, each needing to be handled differently in hedge accounting. The fair value hedge involves the hedging of (parts of) assets and liabilities against changes in fair value. In particular investment and lending transactions in the Group as well as the security portfolios under liquidity control, provided that the securities bear interest, are subject to this type of risk in changes to value. Both individual transactions and portfolios are hedged by fair value hedges. Currently the fair value is only hedged against interest-rate risk. Changes in the fair values of assets and liabilities are hedged in single-currency portfolios in euros and US dollars. Interest rate swaps and currency swaps are mainly used to hedge these risks.

The two other basic forms, the cash flow hedge and the hedge of a net investment in a foreign operation, are currently not used in the NORD/LB Group.

Only hedging relationships which have fulfilled the restrictive requirements of IAS 39 may be reported in accordance with the regulations of hedge accounting. Hedge accounting requirements, in particular evidence of the effectiveness of the hedge transaction, must be met for each hedging relationship on each balance sheet reporting date. The critical term match method, the market data shift method and the regression method are applied in the Group for the prospective conducting of effectiveness tests. The modified dollar offset method is primarily used in the Group for retrospective effectiveness tests. This method takes account of the problem of small numbers in the case of minor changes in the value of underlying transactions and hedges by means of an additional tolerance limit. Deutsche Hypo uses the regression method for the retrospective effectiveness test.

In the fair value hedge portfolio, for the retrospective effectiveness test disposals from the hedged portfolio of underlying transactions were previously dealt with using the bottom layer method.

In accordance with the fair value hedge accounting rules, derivative financial instruments used for hedging purposes are reported at fair value as positive or negative fair values from hedge accounting (Note (38) and Note (51) Positive and negative fair values from hedge accounting derivatives). The changes in valuation are recognised in the income statement (Note (24) Profit/loss from hedge accounting). Changes in fair value resulting from the hedged risk of hedged assets or hedged liabilities are also recognised through profit or loss in the profit / loss from hedge accounting item.

When employing hedge accounting for financial instruments in the annual financial statements category, the portion of any change in fair value relating to hedged risks is recognised in profit or loss as profit / loss from hedge accounting, while the portion of a change in fair value which is not related to the hedged risk is accounted for in the revaluation reserve.

In micro fair value hedge accounting, financial instruments measured at amortised cost are adjusted in the balance sheet item by the change in fair value resulting from the hedge risk (hedge adjustment).

Changes in the fair value of underlying asset and liability-side transactions related to the hedged interest-rate risk in the fair value hedge-accounting portfolio are reported under the adjustment item for hedged financial instruments in the fair value hedge portfolio on the assets side or liabilities side of the balance sheet. Underlying transactions relating to AfS items carried as assets continue to be reported at their full fair value under financial assets . There are currently asset and liability items in the fair value hedge portfolio.

A hedge relationship is terminated when the basic transaction or the hedging transaction expires, is sold or exercised or when hedge-accounting requirements are no longer fulfilled; for underlying transactions in effective hedges cf. Note (67).

h) Repos and Securities Lending

In the case of genuine repos, transferring the securities sold under repurchase agreements does not lead to derecognition, as the transferring entity essentially retains all the risks and rewards associated with the ownership of the repurchased securities. The asset transferred must therefore still be reported by the transferor and measured according to its respective category. Payment received is carried as a financial liability (in liabilities to banks or liabilities to customers, depending on the counterparty). Interest payments agreed are reported as interest expenses over the respective terms.

Reverse repo transactions are reported accordingly as loans and advances to banks and customers and are allocated to the Loans and Receivables (LaR) category. Securities for sale and repurchase which constitute the basis of the financial transaction are not reported in the balance sheet. Interest resulting from such transactions is reported as interest income over the respective term.

Security sale agreements with a repurchase option were not concluded in the NORD/LB Group.

Principles which apply for reporting genuine repurchase transactions also apply for securities lending transactions. Securities lent are reported as security portfolios and measured in accordance with IAS 39, while borrowed securities are not reported. Cash collateral pledged for security lending transactions is reported as a claim and cash collateral received is reported as a liability.

With regard to the scope and the volume of security sale and repurchase agreements and securities lending transactions, Note (64) Transfer and derecognition of financial assets is referred to.

i) Financial guarantees

The net method is applied for financial guarantees reported in the NORD/LB Group. The initial recognition is at fair value, which is zero due to the present value of claims and liabilities generally balancing out. As a result, the fair value is not updated. Incoming premium payments are recognised in the income statement. If a claim is imminent, a provision is made in accordance with IAS 37.

j) Securitisations

Various financial assets relating to lending business are securitised, either in synthetic securitisation using credit derivatives or by non-recourse factoring to special purpose entities (SPEs), which in turn issue securities to investors (true sale securitisation). Interest and capital repayments resulting from such securities are directly linked to the performance of the underlying claim, and not to that of the issuer.

The accounting of such transactions depends on the method of securitisation. Assets relating to synthetic securitisation remain in the balance sheet and are reported with the credit derivatives concluded in accordance with IAS 39 regulations.

In the case of true sale securitisation, the assets are written off if the opportunities and risks relating to these assets have been (virtually) fully transferred to the SPE. If the opportunities and risks relating to the assets have not been (virtually) fully transferred nor retained and the NORD/LB Group still has control over the assets, these will remain in the balance sheet of the NORD/LB Group to the extent that the Group continues to participate in the opportunities and risks (continuing involvement). With securitisation transactions at the NORD/LB Group, normally (virtually) all of the opportunities and risks are transferred to the SPE or the buyer. Assets of consolidated SPEs remain in the NORD/LB Group's consolidated balance sheet.

(8) Risk Provisioning

Risks relating to lending business are accounted for by forming specific bad-debt allowances, lumpsum specific loan loss provisions and general loan loss provisions.

Recoverability is reviewed for all significant claims at individual transaction level. Risk provisioning covers all recognisable credit risks in the form of specific bad-debt allowances. A valuation allowance is required when observable criteria indicate that it is likely that not all the interest and capital repayments or other obligations will be met on time. The essential criteria for a valuation allowance are for example the default on interest and capital payments or a delay in such payments of more than 90 days, considerable financial difficulties on the part of the debtor such as arithmetic and actual insolvency or the long-term negative consequences of a restructuring. These criteria also include concessions made by lenders such as interest exemption, write-off of debt or deferred repayment, impending insolvency and impending restructuring proceedings.

With ship finance the essential criteria for a valuation allowance are interest deferrals and/or deferred repayment, concessions such as the granting of restructuring loans to support the liquidity of borrowers or individual ships, and threatened insolvency.

The amount of the specific bad-debt allowance is calculated as the difference between the carrying amount and the recoverable amount as the present value of the anticipated future cash flows.

If the criteria for a valuation allowance have been met for claims which are not significant, these claims are concentrated in narrowly defined portfolios with similar risk structures, measured by a standard method and are the subject of an appropriate flat-rate specific valuation allowance. The calculation is made on the basis of historical probabilities of default and loss rates.

To cover impairments which have occurred but have not yet been identified, general loan loss provisions are made. These are calculated on the basis of historical probabilities of default and loss rates, with the portfolio-specific loss identification period factor (LIP factor) also being considered.

The parameters employed in the lumpsum specific loan loss provisions and the general loan loss provisions derived from the Basel II system.

The total amount of loan loss provisions resulting from balance sheet business is recognised as a separate item under assets in the balance sheet.

Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.
Irrecoverable loans for which there is no specific valuation allowance are written off immediately. Payments received for written-off loans and advances are recognised in profit or loss.
Financial assets classified as LaR are only written off directly.

(9) Property and Equipment

Property and equipment are recognised at cost on the date of addition. Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset. Property and equipment subject to wear are reported upon subsequent measurement less scheduled straight-line depreciation charged over the useful life. Impairments are charged at the amount at which the carrying amount exceeds the higher amount of fair value less the cost of disposal and value in use of the asset. If reasons for impairment no longer exist, write-ups (appreciations in value) are carried out, but not in excess of the amount of amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit/loss. Property and equipment is depreciated over the following periods:

	Property and equipment
Land and buildings	10-50
Operating and office equipment	3-25
Ships	25
Other property and equipment 3 –	3-25

(10) Leases

In accordance with IAS 17, leases must be classified as finance or operating leases at the inception of a lease. If essentially all of the opportunities and risks associated with ownership are transferred to the lessee, the lease is classified as a finance lease and the leased asset is accounted for by the lessee. If essentially all of the opportunities and risks associated with ownership are not transferred to the lessee, the lease is classified as an operating lease and the leased asset is accounted for by the lessor.

Finance lease

If the NORD/LB Group is deemed the lessee, the leased property is capitalised at fair value or the present value of the future leasing payments if this is lower than the fair value; at the same time an obligation for rent instalments payable in future is reported as a liability. Any initial direct costs incurred are capitalised along with the asset (leased property). The asset is reported under property and equipment, investment property or intangible assets, and the liability (rent instalments still to be paid) as liabilities to banks or customers.
If the NORD/LB Group is considered to be the lessor, a receivable to the amount of the lessee's payment obligations resulting from the lease is reported at the inception of the lease. The receivable is reported at the net investment value (difference between the gross investment in the lease and finance income not yet realised) and is shown in other loans and advances to banks or loans and advances to customers. Any additional costs incurred are spread over the term of the contract.
Lease payments relating to a finance lease are split into a capital and an interest amount. The capital amount is deducted from loans and ad-

vances directly in equity. The interest amount is accounted for as interest income through profit or loss.

Operating lease

If the Group is considered to be the lessee in operating leases, lease payments made are reported as an expense in other administrative expenses. Initial direct costs (for example costs for appraisers) are immediately recognised through profit or loss.

(11) Investment Property

Investment property is considered to be land and buildings or parts of buildings held to generate rental income and/or for the purpose of capital appreciation. Properties where more than 20 per cent of the leased floor space is utilised by third parties are examined to determine whether the part used by third parties can be separated. If this is not the case then the whole property is reported in property and equipment.

Investment property is reported at cost on the date of acquisition; transaction costs are included in initial measurement. Subsequent costs are capitalised if they result in a significant improvement in the asset and increase the future economic benefit of the asset.

Upon subsequent measurement of investment properties scheduled straight-line depreciation is charged. Impairments are charged at the amount at which the carrying amount exceeds the higher amount of fair value less the cost of disposal and value in use of the asset. If the reasons for impairment cease to exist, impairment losses are reversed, but not above the amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit/loss.

Investment property is depreciated over a period of 25 to 50 years. The income value method is used, based on market data, to calculate the fair value of investment property. The valuation is carried out in part by independent experts who are appropriately qualified and relevant experience .

(12) Intangible Assets

Mainly software that is either purchased or developed in-house is reported as intangible assets.

Intangible assets which are acquired by the NORD/LB Group are reported at cost of acquisition Intangible assets created in-house are capitalised at the production cost if the accrual of an economic benefit is probable and the expenditure can be reliably determined. If the capitalisation criteria are not satisfied, the costs are immediately reported though profit and loss. The capitalised costs for software produced in-house cover both expenditure for internal and external services during the development phase and are directly allocable (especially for customising and test activities). Subsequent costs are capitalised if they result in a significant improvement in the asset and therefore increase the future economic benefit of the asset.

Scheduled straight-line depreciation over the useful life is charged for intangible assets with a finite useful life. Impairments are charged at the amount at which the carrying amount exceeds the higher of fair value less cost of disposal and value in use of the asset for intangible assets with a finite useful life. If the reasons for the impairment no longer exist, write-ups are carried out, but not in excess of the amortised cost. Scheduled depreciation is recognised under administrative expenses and impairments and write-ups in other operating profit/loss.

Intangible assets with a finite useful life are amortised over a period of two to 15 years. Intangible assets with an indefinite useful life are tested at least once a year in the fourth quarter for their recoverability. The value of goodwill is reviewed on the basis of cash generating units (CGUs).There are no intangible assets with an indefinite useful life at NORD/LB Group.

(13) Assets held for Sale

Longer-term assets or disposal groups held for sale whose carrying amounts are realised through a sale and not through operational use are to be recognised in separate balance sheet items if they are immediately saleable in their present condition and a sale is highly likely. A sale is considered to be highly likely if the relevant management level has set a plan for the sale and the search for a purchaser and implementation of the plan has actively commenced. Further, the long-term assets or disposal groups are being offered at a price that is proportionate to the current fair value. Further, it must be possible to consider the sale complete as expected within a year of the date of its classification for recognition and the measures required for implementing the plan must permit the conclusion to be drawn that material changes to or cancellation of the plan appear unlikely.

Such assets are measured at fair value less costs of disposal provided that these costs do not exceed the carrying amount. Longer-term assets held for sale are no longer amortised as at the date of reclassification. Impairment losses resulting from longer-term assets and disposal groups held for sale are, however, taken into account.

Assets held for sale also include discontinued operations. A discontinued operation is a component of an entity held for sale that represents a separate major line of business or geographical area of operations, is part of a plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

No entire business divisions were discontinued in 2015 or in 2014.

(14) Provisions for Pensions and similar Obligations

Direct and indirect pension obligations from defined benefit plans are calculated in accordance with IAS 19 by independent actuaries as at the balance sheet date in accordance with the projectted unit credit method. Plan assets which are invested in order to cover defined benefit pension obligations and similar benefits are measured at their fair value and offset against the correspondding liabilities. Claims against provident funds are also measured at fair value.

Differences between the financial and biometric assumptions made and the actual developments (actuarial profits and losses) and the difference between expected and actual return on assets result in a revaluation of the net liability from defined benefit pension plans. The resulting profits and losses are recognised in the year that they occur under other comprehensive income (OCI).

Interest is added to the balance of defined benefit pension obligations, similar benefits and plan assets (net pension obligation) using the discount rate used in the measurement of the gross pension obligation. The resulting net interest expense is recognised in the income statement under interest expenses. The other expenses related to the granting of pension obligations and similar benefits, which primarily relate to entitlements earned in the financial year, are considered in the income statement under administrative expenses.

In order to establish the present value of defined benefit obligations, in addition to biometric assumptions, the discount rate calculated using the Mercer Yield Curve Approach (MYC) for first-class industrial securities and anticipated future salary and pension increase rates are taken into account. For the projection of mortality and invalidity, Klaus Heubeck's "Richttafeln 2005 G" mortality tables were used. Gains or losses from the reduction or payment of a defined benefit plan are recognised at the time of the reduction or payment through profit or loss. The defined benefit 162bligetion is calculated based on the following actuarial assumptions:

(in %)	31 Dec.2015	31 Dec.2014
Domestic		
Actuarial interest rate	2.65	2.20
Increase in salaries	2.00	2.08
Increase in pensions (contingent on the occupational pension scheme)	2.75/2.87/1.00/2.0/2.50/3.50	2.75/2.87/1.00/2.0/2.50/3.50
Cost increase rate for allowance payments	3.50	3.50
Mortality, invalidity, etc.	Based on Heubeck mortality tables 2005 G	Based on Heubeck mortality tables 2005 G
Abroad (weighted parameters)		
Actuarial interest rate	3.74	3.47
Increase in salaries	2.61	4.15
Increase in pensions	2.84	2.82
Mortality, invalidity, etc.	USA RP-2014, GB S1PMA Light/S1PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R	USA RP-2014, GB S1PMA Light/S1PFA light base tables with CMI 2014 projections basis, LUX DAV 2004 R
Inflation	3.15	3.21

The valuation of the pension obligations is based on a discount rate calculated using the Mercer Yield Curve Approach (MYC) that was moved to a single data source in 2015. If the pension obligetion had been valued as at the reporting date with a discount rate calculated using the method used in the previous year, the pension obligation would have been € 40 million lower. The net interest component for the coming financial year will be € 1 million higher due to the change in method.

(15) Other Provisions

Other provisions are established for uncertain liabilities to third parties and anticipated losses on pending transactions if a current legal or de facto obligation arises from a past event, utilisation is likely and if its amount can be reliably determined. The valuation of provisions is measured using the best-possible assessment on reasonable consideration of the amount needed for fulfilment of the current obligation (or transfer of the 163bligetion to an independent third party) on the reporting date. Management is responsible for making this assessment. Empirical values from similar transactions and, as need be, reports or opinions from experts are included. Risks and uncertainties are acknowledged by valuing the obligation with the most likely event from a range of possible events. Future events which may influence the amount required to meet an obligation are only included if there are objective indications of their occurrence. Provisions are discounted if the effect is material.

(16) Income Taxes

Current income tax assets and tax liabilities were calculated at currently valid tax rates to the amount expected to be received from/paid to the respective tax authority or to the amount of tax refunds expected to be received from the respective tax authority.

Deferred tax assets and tax liabilities are calculated on the basis of the difference between the carrying amount of an asset or a liability in the balance sheet and the corresponding tax value. In this case, deferred tax assets and tax liabilities will probably result in effects which increase or reduce income tax in future periods due to temporary differences. They were measured on the basis of tax rates expected to be valid in the period in which an asset is realised or an obligation is met. In this case tax rates (and tax regulations) which are valid for individual companies on the balance sheet date or which have been resolved by the reporting date are applied.

Deferred tax income for carrying forward tax losses not yet utilised and tax credits not yet utilised is only reported to the extent that it is probable that taxable future income will be available for applying tax losses not yet utilised and tax credits not yet utilised.

Current income tax assets and tax liabilities as well as deferred tax assets and tax liabilities are offset when requirements for offsetting are met. They are not discounted. Depending on the treatment of the underlying circumstances, deferred tax assets and tax liabilities are reported either in the income statement or in other comprehensive income (OCI).

Income tax assets and income tax liabilities are shown separately in the balance sheet and separated into actual and deferred assets and liabilities for the year under review. The carrying amount of deferred tax asset is reviewed for recoverability as at every balance sheet date.

Taxes on earnings or income tax proceeds are recognised in the income tax item in the consolidated income statement.

(17) Subordinated Capital

The subordinated capital item comprises secured and unsecured subordinated liabilities, participatory capital and silent participations. The NORD/LB Group's silent participations are mostly classified as debt in accordance with regulations specified in IAS 32 due to contractual cancellation rights; under the German Commercial Code silent participations always qualify as equity. For regulatory purposes in accordance with the CRR, they are primarily recognised as liable equity.

Subordinated capital is reported at amortised cost. Premiums and discounts are distributed over the term in accordance with the effective interest method and recognised in the income statement under interest expenses. Deferred interest not yet due is allocated directly to the corresponding items in subordinated capital.

Segment Reporting

The segment reporting provides information on the operational business areas of the Group. The segment reporting below is based on IFRS 8 “Operating segments”, which follows the “management approach”. The segment information is presented in the IFRSs on the basis of internal reporting in the same way that it is reported internally on a regular basis for assessing performance and making decisions on the allocation of resources to the segments.

Segment Reporting by Business Segment

The segments are defined as customer or product groups which reflect the organisational structures and therefore the internal control of the Group. Calculations are based on the internal data of Group member companies. The internal control focuses on the operational units’ earnings before tax.

An important criterion for the formation of segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and the products demanded. It is not possible to recognise dependencies on individual customers. The product ranges offered in the segments are described below and the earnings generated are shown in the overview. The product range offered comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, mergers and acquisitions, services such as accounting management, payment transactions, securities business, brokering, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated on the basis of the market interest-rate method. In the process the contribution from the interest-rate conditions for each customer transaction is calculated by comparing the customer conditions with the structure-congruent market interest rate for a fictitious counter transaction applicable at the time the transaction is completed. This market interest rate is at the same time the cost value for the Treasury Division’s balancing provision. Therefore interest income and interest expenses are not reported gross. The income from financing from tied-up equity is allocated to the market segments.

In the Bank every interest-bearing customer transaction is allocated to the balancing provision of the Treasury Division as the central planning division. There are no direct business relations between the market divisions in the Bank. Therefore inter-segment income is not included in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service allocations and allocated overhead costs. Risk provisioning is allocated to segments on the basis of actual costs incurred. Overall bank revenue, such as general valuation allowances and profit/loss from hedge accounting and overhead costs, is not allocated to the operational business segments of the Bank but to the segment “Group Management/Others”.

In addition to figures relating to the statement of comprehensive income, the segment report also shows the total risk exposure to be allocated, segment assets and liabilities, committed capital, the Cost-Income Ratio (CIR), Return on Risk adjusted Capital (RoRaC) and Return on Equity (RoE). The total risk exposures of the segments show the risk-weighted assets to be allocated in accordance with CRR / CRD IV including shortfall equivalent as averages in the reporting period. The total risk exposure for the Group shows the RWA in accordance with CRR / CRD IV as at the reporting date. The CIR is defined as the ratio between administrative expenses and the sum total of the following income items: net interest income, net commission income, profit/loss from financial instruments at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

RoRaC calculations in the segments include the contribution to income after risk provisioning and valuation on committed capital (here 9 per cent of the higher value of the RWA limits and the amount called on).

Capital tied up in the segments is calculated on the basis of average annual figures. The reconciliation figure for the tied-up capital reported in the business segments and the long-term equity in the Group in accordance with commercial law is included in the segment reconciliation. A transfer from long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

The following business segments are reported by business segment in the segment reporting:

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

Private and Commercial Customers

As well as business with private, individual, commercial and small-business customers, this business segment includes middle-market corporate customer business in the Braunschweig region. Up until 30 September 2014 the current results of Öffentliche Lebensversicherung Braunschweig and Öffentliche Sachversicherung Braunschweig are also recognised here (see also Note (4) Basis of consolidation).

The product range for the segment private and commercial customers is based on the savings bank finance concept (S finance concept) and comprises all of the usual banking services and products for account and lending business, savings and investment business and the provision of internet banking and direct brokerage. Extended services for wealthy private customers range from the integrated advisory approach of asset structure analysis, financial planning, asset succession and inheritance and foundation management. The product range also includes investment loans and start-up advice for the middle-market company business.

Corporate Customers

The segment includes all of the NORD/LB business conducted with corporate customers in the core regions (excluding the Altes Braunschweiger Land region) and in neighbouring regions, and in particular Agricultural Banking and Residential Housing.

As a full-service provider, banking products and banking services are offered. The services include traditional transaction management, tailored business financing, management of interest and currency risk and solutions for company pension schemes. In the segment comprehensive solutions are developed for complex business financing and for the strategic positioning of corporate customers. Professional liquidity and risk management, the structuring of equity and innovative financing instruments supplement the product range.

Markets

The Markets segment covers the Financial Markets activities performed in Germany, the foreign branches and in the Group companies on behalf of customers. The Savings Bank Network division covers transactions with the public sector; institutional business with associated savings banks and syndicated business transacted with associated savings banks are reported.

Alternative products which are detached from retail banking including derivatives are offered, e.g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or time of repayment (structured securities). In the secondary business all kinds of securities are sold and traded. Tailored solutions for institutional customers such as for example the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered.

The product range also includes Private Banking products for the savings banks, such as investment products in the form of for example open or closed funds (real estate, aircraft), products for individual asset management or inheritance or foundation management, which the savings banks require as direct customers for their own trading business or to complete their product range in their own business with private or corporate customers.

In the Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers segments traditional lending products and innovative products are generally offered irrespective of the respective industry. This primarily concerns financing for specific purposes.

Energy and Infrastructure Customers

This business segment summarises the global business relations of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (in particular renewable energy) and Leasing divisions. Primarily project financing which is related to a specific project or asset is offered and accordingly tailored to meet the respective individual need. The structure of this financing is developed taking into account the respective political and economic risks, legal and task factors, social determinants and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

Ship Customers

In this business segment the national and international activities of NORD/LB and Bremer Landesbank in ship finance are reported. The customers of the Ship Customers segment are offered short to long-term financing, such as equity pre-financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships are financed by the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as for example swap, option, future or forward transactions complete the product range.

Aircraft Customers

In this business segment the national and international activities of NORD/LB and Bremer Landesbank in aircraft financing are reported. In Aircraft Finance, the focus is on the object-based financing of passenger aircraft produced by well-known manufacturers. The target customers are airlines and leasing companies who are offered tailored financing solutions in addition to the NORD/LB Group's high expertise with core productions. The segment also finances covered export business.

Real Estate Banking Customers

Here NORD/LB's and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community interest properties are aggregated. This normally concerns structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad. Both interim finance for new construction projects and long-term loans for existing properties are offered.

Group Management/Others

This segment covers all other performance data directly related to the business activity such as Group companies not included in the segments, components of comprehensive income at Group level which are not allocated to the segments, general loan loss provisions, the profit/loss from other financial instruments (in particular from central valuation effects), financial assets and hedge accounting, projects covering the entire bank; consolidation items; profit/loss from interest rate change risk control, balancing provision, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation). Other operating profit/loss includes the bank levy.

Reconciliations

Here the reconciliation items from internal accounting for the consolidated figures in the income statement are shown as well as reclassifications of profit and loss items that are reported differently in the internal reporting to in the external reporting. The shortfall in the regulatory capital requirement is converted into risk-weighted assets within internal reporting and assigned to the operational units; the adjustment item resulting from the regulatory risk-weighted assets report flows into the reconciliation.

Regions

The earnings before risk provisioning, earnings before taxes, segment assets and segment liabilities are allocated regionally based on the 168iabilitive location of the branch or Group company. Consolidations are shown separately.

(18) Segment Reporting by Business Segment

1 Jan.-31. Dec.2015 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	208	338	214	196	435	116	232	94	140	1 974
Loan loss provisions	4	27	–	22	916	– 3	– 24	– 234	– 9	698
Net interest income after loan loss provisions	**205**	**312**	**214**	**174**	**– 481**	**119**	**257**	**328**	**149**	**1 276**
Net commission income	58	62	72	70	46	18	–	– 49	– 44	234
Profit / loss from financial instruments at fair value through profit or loss	1	16	19	5	18	3	5	96	– 26	136
Profit / loss from hedge accounting	–	–	–	–	–	–	–	144	–	144
Profit / loss from financial assets	–	–	–	–	–	–	–	79	– 7	72
Profit / loss from investments accounted for using equity method	2	–	–	–	–	–	–	6	–	8
Administrative expenses	193	148	146	97	116	25	68	306	17	1 114
Other operating profit / loss	– 13	1	4	5	–	– 1	–	– 44	– 49	– 97
Profit / Loss before reorganisation and taxes	**60**	**242**	**162**	**157**	**– 533**	**115**	**195**	**254**	**6**	**659**
Reorganisation expenses	–	–	–	–	–	–	–	– 6	–	– 6
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	–	–	–
Earnings before taxes (EBT)	**60**	**242**	**162**	**157**	**– 533**	**115**	**195**	**248**	**6**	**653**
Taxes	–	–	–	–	–	–	–	–	135	135
Consolidated profit	**60**	**242**	**162**	**157**	**– 533**	**115**	**195**	**248**	**– 129**	**518**
Segment assets	7 343	22 407	38 472	16 772	21 273	8 260	15 193	51 716	– 439	180 998
of which: investments at equity	45	–	–	–	–	–	–	245	–	290
Segment liabilities	7 457	9 003	48 100	3 599	4 585	763	469	103 588	3 434	180 998
Total risk exposure amount	4 407	12 938	5 062	8 185	36 670	5 209	6 978	6 098	– 21 872	63 675
Capital employed	397	1 164	447	737	3 300	469	628	1 110	– 711	7 541
CIR	75.2%	35.5%	47.3%	35.2%	23.2%	18.1%	28.4%	0.0%	0.0%	46.4%
RoRaC/RoE[2)]	14.1%	19.3%	35.8%	20.2%	-16.1%	24.5%	21.7%	0.0%	0.0%	8.7%

1 Jan.-31. Dec.2014 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	271	310	226	171	366	97	245	295	5	1 985
Loan loss provisions	– 3	4	– 2	–	718	2	50	– 37	4	735
Net interest income after loan loss provisions	**274**	**305**	**228**	**171**	**– 352**	**95**	**195**	**332**	**1**	**1 250**
Net commission income	39	64	46	66	27	18	4	– 44	– 35	185
Profit / loss from financial instruments at fair value through profit or loss	3	– 2	23	– 9	10	5	8	– 41	91	87
Profit / loss from hedge accounting	–	–	–	–	–	–	–	43	–	43
Profit / loss from financial assets	16	–	–	–	–	–	–	– 23	4	– 3
Profit / loss from investments accounted for using equity method	–	–	–	–	–	–	–	– 37	–	– 37
Administrative expenses	291	134	149	87	105	22	71	254	12	1 125
Other operating profit / loss	– 17	2	11	4	1	–	–	– 36	– 40	– 75
Profit / Loss before reorganisation and taxes	**24**	**234**	**158**	**146**	**– 420**	**96**	**136**	**– 58**	**10**	**325**
Reorganisation expenses	–	–	–	–	–	–	–	– 49	–	– 48
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	– 1	–	– 1
Earnings before taxes (EBT)	**24**	**234**	**158**	**146**	**– 420**	**96**	**136**	**– 108**	**10**	**276**
Taxes	–	–	–	–	–	–	–	–	71	71
Consolidated profit	**24**	**234**	**158**	**146**	**– 420**	**96**	**136**	**– 108**	**– 61**	**205**
Segment assets	7 729	20 460	42 309	15 535	20 116	8 122	16 487	65 742	1 107	197 607
of which: investments at equity	45	–	–	–	–	–	–	273	–	318
Segment liabilities	7 270	6 216	45 699	3 152	4 548	677	667	125 800	3 579	197 607
Total risk exposure amount	4 690	12 002	5 005	7 258	38 708	4 603	9 812	10 618	– 23 463	69 231
Capital employed	387	961	391	581	3 097	369	771	1 424	– 703	7 277
CIR	98.4%	36.0%	49.0%	37.3%	26.1%	18.5%	27.6%	0.0%	0.0%	51.4%
RoRaC/RoE[2]	5.0%	22.9%	34.3%	22.2%	-13.6%	23.4%	14.6%	0.0%	0.0%	3.8%

(in € million)	31 Dec. 2015	31 Dec. 2014
Long-term equity under commercial law	7 541	7 277
Revaluation reserve	455	420
Silent participations in reported equity	518	205
Reported equity	**8 513**	**7 902**

[1] Transfer of long-term equity under commercial law to reported equity capital

[2] RoRaC at business level:
earnings before taxes / committed Tier 1 capital (9 per cent (8% in the previous year) of the higher of the RWA limits and the amount called on).
RoE at company level:
(Earnings before taxes/ long-term equity under commercial law (= reported equity capital – revaluation reserve – earnings after taxes)

The tables may include minor differences that occur in the reproduction of mathematical operations.

(19) Segment Reporting by geographical Segment

1 Jan. – 31 Dec. 2015 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolidation	NORD/LB Group
Earnings before risk provisioning [1]	2 348	202	97	65	– 312	2 400
Earnings before taxes (EBT)	503	108	58	43	– 59	653
Segment assets	179 255	22 288	5 069	3 721	– 29 336	180 998
Segment liabilities	180 745	20 798	5 069	3 721	– 29 336	180 998
Total risk exposure amount	55 889	8 618	2 604	2 215	– 5 650	63 675
Capital employed	6 835	776	234	199	– 504	7 541
CIR	45.1%	41.4%	41.5%	27.6%		46.4%
RoRaC/RoE [2]	7.4%	13.9%	24.9%	21.6%		8.7%

1 Jan. – 31 Dec. 2014 (in € million)	Federal Republic of Germany	Europe excluding Germany	America	Asia	Consolidation	NORD/LB Group
Earnings before risk provisioning [1]	2 098	252	88	63	– 313	2 188
Earnings before taxes (EBT)	152	187	70	52	– 185	276
Segment assets	193 858	27 165	4 604	4 025	– 32 044	197 607
Segment liabilities	195 050	25 973	4 604	4 025	– 32 044	197 607
Total risk exposure amount	61 191	9 211	2 176	1 921	– 5 268	69 231
Capital employed	6 718	737	174	154	– 506	7 277
CIR	51.5%	31.1%	38.4%	23.5%		51.4%
RoRaC/RoE [2]	2.3%	25.4%	40.3%	33.6%		3.8%

[1] Earnings before risk provisioning are defined as the sum of net commission income, profit/loss from financial instruments at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

[2] RoRaC at business level:
Earnings before taxes/ committed Tier 1 capital
(9% (previous year: 8%) of the higher of the RWA limit and the amount called on)

RoE at company level:
(Earnings before taxes) / long-term equity under commercial law (= reported equity capital – revaluation reserve – earnings after taxes)

The tables may include minor differences that occur in the reproduction of mathematical operations.

Notes to the Income Statement

(20) Net Interest Income

The items interest income and interest expense comprise interest received and paid, deferred interest and pro-rata reversals of premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as liabilities under IAS 32, payments to silent partners are reported as interest expense.

	1 Jan. – 31 Dec. 2015 (in € million)	1 Jan. – 31 Dec. 2014 (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	3 661	3 866	– 5
Interest income from debt securities and other fixed-interest securities	654	828	– 21
Interest income from financial instruments at fair value			
Interest income from trading profit / loss and hedge accounting derivatives	3 260	3 567	– 9
Interest income from fair value option	51	51	–
Current income			
from shares and other non fixed-interest securities	4	18	– 78
from investments	18	14	29
Interest income from other amortisations	611	574	6
Other interest income and similar income	3	1	> 100
	8 262	**8 919**	**– 7**
Interest expense			
Interest expenses from lending and money market 172iabilittions	1 608	1 886	– 15
Interest expenses from securitised liabilities	586	759	– 23
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit / loss and hedge accounting derivatives	3 003	3 225	– 7
Interest expenses from fair value option	271	295	– 8
Interest expenses from subordinated capital	248	240	3
Interest expenses from other amortisations	511	439	16
Interest expenses from provisions and liabilities	55	71	– 23
Other interest expenses and similar expenses	6	19	– 68
	6 288	**6 934**	**– 9**
Total	**1 974**	**1 985**	**– 1**

Interest income from lending and money market transactions includes negative interest from money market transactions in the amount of € 7 million (€ 1 million). These are to be allocated to the balance sheet items loans and advances to banks and loans and advances to customers. The item also includes interest income relating to impaired loans (unwinding) in the amount of € 76 million (€ 82 million).

Interest expenses from lending and money market transactions includes positive interest from money market transactions in the amount of € 22 million (€ 20 million). These are to be allocated to the balance sheet items liabilities to banks and liabilities to customers.

The interest income includes € 4.926 billion (€ 5.269 billion) relating to income from financial instruments which are not measured at fair value through profit or loss. The interest expenses include € 2.953 billion (€ 3.325 billion) relating to expenses from financial instruments which are not measured at fair value through profit or loss.

(21) Loan Loss Provisions

	1 Jan. – 31 Dec. 2015 (in € million)	1 Jan. – 31 Dec. 2014 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowances	533	535	–
Reversal of lumpsum specific loan loss provisions	3	9	– 67
Reversal of general loan loss provisions	203	199	2
Reversal of loan loss provisions	35	60	– 42
Additions to receivables written off	32	37	– 14
	806	**840**	**– 4**
Expenses for provisions for lending business			
Allocation to specific valuation allowances	1 259	1 232	2
Allocation to lumpsum specific loan loss provisions	3	2	50
Allocation to general loan loss provisions	136	218	– 38
Allocation to loan loss provisions	16	20	– 20
Direct write-offs of bad debts	90	103	– 13
	1 504	**1 575**	**– 5**
Total	**698**	**735**	**– 5**

(22) Net Commission Income

	1 Jan. – 31 Dec. 2015 (in € million)	1 Jan. – 31 Dec. 2014 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	141	126	12
Account management and payment transactions	42	40	5
Trust activities	4	5	– 20
Security transactions and custody service	47	38	24
Brokerage business	38	30	27
Insurance business	–	11	– 100
Other commission income	68	51	33
	340	**301**	**13**
Commission expense			
Lending and guarantee business	70	57	23
Account management and payment transactions	3	2	50
Security transactions and custody service	25	24	4
Brokerage business	4	5	– 20
Insurance business	–	23	– 100
Other commission expenses	4	5	– 20
	106	**116**	**– 9**
Total	**234**	**185**	**26**

Commission income includes income from financial instruments which are not measured at fair value in the amount of € 229 million (€ 205 million). Commission expenses include expenses-from financial instruments which are not measured at fair value in the amount of € 97 million (€ 83 million).

(23) Profit/Loss from Financial Instruments at Fair Value through Profit or Loss

	1 Jan. – 31 Dec. 2015 (in € million)	1 Jan. – 31 Dec. 2014 (in € million)	Change (in %)
Trading profit / loss			
Profit / loss from debt securities and other fixed-interest liabilties	– 30	164	> 100
Profit / loss from shares and other non fixed-interest securities	1	1	–
Profit / loss from derivatives	74	385	– 81
Interest-rate risks	– 85	338	> 100
Currency risks	122	– 5	> 100
Share-price and other price risks	16	10	60
Credit derivatives	21	42	– 50
Profit / loss from receivables held for trading	– 88	178	> 100
Result from other trading transactions	12	–	> 100
	– 31	**728**	**> 100**
Foreign exchange result	– 51	– 2	> 100
Other income	–	4	– 100
	– 82	**730**	**> 100**
Profit / loss from the fair value option			
Profit / loss from receivables to customers and banks	– 7	17	> 100
Profit / loss from debt securities and other fixed-interest liabilties	32	89	– 64
Profit / loss from shares and other non fixed-interest securities	–	1	– 100
Profit / loss from liabilities to banks and customers	219	– 667	> 100
Profit / loss from securitised liabilties	– 27	– 84	– 68
Profit / loss from subordinated capital	1	1	–
	218	**– 643**	**> 100**
Total	**136**	**87**	**56**

Net commission income from trading activities in the amount of € 0 million (€ 4 million) is reported under other comprehensive income.

(24) Profit/Loss from Hedge Accounting

The profit/loss from hedge accounting includes fair value adjustments relating to the hedged risk of an underlying transaction and offset fair value adjustments to hedging instruments in effective fair value hedge relationships.

	1 Jan. - 31 Dec. 2015 (in € million)	1 Jan. - 31 Dec. 2014 (in € million)	Change (in %)
Profit / loss from micro fair value hedges			
from hedged underlying transactions	308	706	– 56
from derivatives employed as hedging instruments	– 272	– 719	– 62
	36	**– 13**	**> 100**
Profit / loss from portfolio fair value hedges			
from hedged underlying transactions	105	– 428	> 100
from derivatives employed as hedging instruments	3	484	– 99
	108	**56**	**93**
Total	**144**	**43**	**> 100**

(25) Profit/Loss from Financial Assets

Shown in the profit/loss from financial assets are profits/losses from disposals and estimated prof its/losses relating to securities and company shares in the financial asset portfolio.

	1 Jan.-30 Dec. 2015 (in € million)	1 Jan.-30 Dec. 2014 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**– 3**	**2**	**> 100**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
debt securities and other fixed-interest securities	63	74	– 15
shares and other non fixed-interest securities	18	5	> 100
Other financial assets classified as AfS	– 8	–	–
Profit / loss from allowances for losses on			
debt securities and other fixed-interest securities	– 9	– 85	– 89
shares and other non fixed-interest securities	– 11	– 5	> 100
Other financial assets classified as AfS	– 1	6	> 100
	52	**– 5**	**> 100**
Profit / loss from shares in companies (not consolidated)	**23**	**–**	**–**
Total	**72**	**– 3**	**> 100**

(26) Profit/Loss from Shares in Companies accounted for using the Equity Method

The profit/loss from shares in companies accounted for using the equity method is summarised below. It shows the contributions to the profit/loss of joint ventures and affiliated companies accounted for using the equity method.

	1 Jan.-30 Dec. 2015 (in € million)	1 Jan.-30 Dec. 2014 (in € million)	Change (in %)
Shares in joint ventures			
Earnings	2	5	– 60
Expenses	1	3	– 67
	1	**2**	**– 50**
Shares in associated companies			
Earnings	34	34	–
Expenses	27	73	– 63
	7	**– 39**	**> 100**
Total	**8**	**– 37**	**> 100**

(27) Administrative Expenses

	1 Jan.-30 Dec. 2015 (in € million)	1 Jan.-30 Dec. 2014 (in € million)	Change (in %)
Staff expenses			
Wages and salaries	457	486	– 6
Social insurance contributions	64	68	– 6
Expenditure on pension schemes and other benefits	59	46	28
Other staff expenses	7	6	17
	587	**606**	**– 3**
Other administrative expenses			
Costs for IT and communications	207	212	– 2
Building occupancy costs	43	45	– 4
Expenses for marketing, communications and entertainment	23	27	– 15
Personnel-related material expenses	21	20	5
Costs for legal, auditing, appraisal and consulting services	81	72	13
Levies and contributions	44	26	69
Expenses for operating and office equipment	5	5	–
Other services	1	5	– 80
Other administrative expenses	33	33	–
	458	**445**	**3**
Other administrative expenses			
Property and equipment	36	40	– 10
Intangible assets	32	32	–
Investment properties	1	2	– 50
	69	**74**	**– 7**
Total	**1 114**	**1 125**	**– 1**

Included under staff expenses are expenses for defined contribution plans in the amount of € 1 million (€ 1 million).

(28) Other operating Profit/Loss

	1 Jan.-30 Dec. 2015 (in € million)	1 Jan.-30 Dec. 2014 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	8	312	– 97
from insurance business	–	422	– 100
from other business	208	181	15
	216	**915**	**– 76**
Other operating expenses			
from allocation to provisions	18	504	– 96
from insurance business	–	271	– 100
from other business	295	215	37
	313	**990**	**– 68**
Total	**– 97**	**– 75**	**29**

Compared to the previous year, the changes in income from the reversal of and expenses from allocation to provisions and changes in income and expenses from insurance business are mainly attributable to the deconsolidation of the insurance companies of Öffentliche Versicherung Braunschweig, Braunschweig, and the related subsidiaries with effect of 30 September 2014.

Income from other business includes income from the disposal of receivables (€ 66 million (€ 41 million)), income from the chartering of ships relating to restructuring commitments in lending business (€ 57 million (€ 38 million)), rental income from investment property (€ 10 million (€ 12 million)), reimbursements of costs (€ 10 million (€ 12 million)) and income from the redemption of own debt securities (€ 6 million (€ 6 million)). Expenses from other business essentially comprise expenses from the disposal of other liabilities (€ 75 mil lion (€ 58 million), expenses to generate charter income from ships (€ 33 million (€ 28 million)), expenses from the redemption of debt securities (€ 24 million (€ 15 million)), expenses from investment property (€ 5 million (€ 6 million)) and expenses from the disposal of receivables (€ 2 million (€ 8 million)). The expenses from other business also include in the amount of € 52 million the annual contribution to the EU's Single Resolution Fund. This EU contribution replaces the contribution in the previous year in the amount of € 31 million for the German bank levy to be paid for the financial year 2014.

The expenses from other business also include unscheduled depreciation in the amount of € 14 million (€ 15 million). These are primarily the result of a fall in the market value of ships due to the continuing crisis in the shipping market.

(29) Reorganisation Expenses

Reorganisation expenses relate to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group, with its material costs and staff expenses being reported separately due to their importance. The need for reorganisation is related to the efficiency improvement programme launched in 2011 and a capital-boosting programme which is the result of EU requirements. The restructuring expenses include in the amount of € 6 million (€ 46 million) expenses from the allocation made to reorganisation provisions for contracted agreements already concluded concerning the termination of contracts of employment. They also include in the amount of € 0 million (€ 2 million) expenses from projects that aim to achieve significant cost synergies. The issues recognised under reorganisation expenses are of a non-recurring nature and are not to be allocated to the ordinary business activities of the NORD/LB Group.

(30) Expenses for Public Guarantees related to Reorganisation

The previous year's figure of € 1 million is attributable to the guarantee fee for a guarantee provided by the states of Lower Saxony and Saxony-Anhalt, which ended in the second quarter of 2014, and associated expenses for services.

(31) Income Taxes

	1 Jan.-30 Dec. 2015 (in € million)	1 Jan.-30 Dec. 2014 (in € million)	Change (in %)
Current taxes on income and earnings			
Tax expenses / income for the current year	127	80	59
Tax expenses / income for previous years	1	– 58	> 100
	128	**22**	**> 100**
Deferred taxes			
Deferred taxes due to the accrual / reversal of temporary differences and tax losses / tax credits not previously considered	73	45	62
Deferred taxes due to changes in tax legislation / tax rates	– 6	– 3	100
Deferred taxes due to temporary differences in previous periods not previously considered	– 60	7	> 100
	7	**49**	**– 86**
Total	**135**	**71**	**90**

The current tax expense for the current financial year is reduced by € 31 million (€ 0 million) due to the utilisation of tax losses previously not considered. Deferred taxes include income from tax losses previously not considered, tax credits and temporary differences of € 33 million (€ 9 million).

The following tax reconciliation statement shows an analysis of the difference between the expected income taxes which would result from applying the German income tax rate to earnings before tax in accordance with IFRS and the income taxes actually reported.

	1 Jan.-30 Dec. 2015	1 Jan.-30 Dec. 2014
IFRS earnings before taxes	**653**	**276**
Anticipated income tax expenditure	206	87
Effects of reconciliation:		
Effects of differing tax rates	– 13	– 5
Taxes from previous years reported in the reporting period	– 59	– 51
Effects of changes in tax rates	– 6	– 3
Non-creditable income taxes	1	2
Non-deductible operational expenditure	60	28
Effects of tax-free earnings	– 30	– 9
Effect of permanent accounting-related effects	5	16
Effects of write-ups / write-downs / recognition adjustments	– 33	– 9
Other effects	4	15
Reported income tax expenses	**135**	**71**

Anticipated income tax expenditure in the tax reconciliation statement is calculated on the basis of the corporation tax rate of 15 per cent plus a solidarity surcharge of 5.5 per cent and the average trade tax rate of approximately 15.6 per cent, as valid in Germany in 2015. The income tax rate for Germany is therefore 31.5 per cent (31.5 per cent).

The deferred taxes of the Group entities in Germany are measured using the future tax rate of 32.0 per cent (31.5 per cent).

Effects resulting from deviating tax rates are caused by differing tax rates in each country. The effects of valuation allowances / write-downs / recognition adjustments also include effects from the subsequent increase or decrease in the recognition of losses carried forward.

Notes to the Statement of Comprehensive Income

Income tax effects fall upon the individual components of other comprehensive income (OCI) as follows:

(in € million)	1 Jan. - 31 Dec. 2015 Amount before taxes	1 Jan. - 31 Dec. 2015 Income tax effect	1 Jan. - 31 Dec. 2015 Amount after taxes	1 Jan. - 31 Dec. 2014 Amount before taxes	1 Jan. - 31 Dec. 2014 Income tax effect	1 Jan. - 31 Dec. 2014 Amount after taxes
Revaluation of the net liability from defined benefit pension plans	242	– 74	168	– 684	180	– 504
Changes in value for investments accounted for using the equity method recognised directly in equity	– 27	–	– 27	63	–	63
Increase / decrease from available for sale (AfS) financial instruments	23	– 21	2	449	– 129	320
Translation differences of foreign business units	35	–	35	86	–	86
Other	**273**	**– 95**	**178**	**– 86**	**51**	**– 35**

Notes to the Balance Sheet

(32) Cash Reserve

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Cash on hand	96	97	– 1
Balances with central banks	776	967	-20
Total	**872**	**1 064**	**-18**

Of the balances with central banks, 597 Mio € (844 Mio €) are credit balances with Deutsche Bundesbank.

(33) Loans and Advances to Banks

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	2 509	1 991	26
Foreign banks	2 873	2 845	1
	5 382	**4 836**	**11**
Other loans and advances			
German banks			
Due on demand	856	1 143	– 25
With a fixed term or period of notice	11 957	13 703	– 13
Foreign Banks			
Due on demand	1 857	2 117	– 12
With a fixed term or period of notice	1 142	1 766	– 35
	15 812	**18 729**	**– 16**
Total	**21 194**	**23 565**	**– 10**

(34) Loans and Advances to Customers

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	1 207	1 287	– 6
Customers abroad	310	21	> 100
	1 517	**1 308**	**16**
Other loans and advances			
Domestic customers			
Due on demand	3 233	3 131	3
With a fixed term or period of notice	71 836	74 209	– 3
Customers abroad			
Due on demand	730	667	9
With a fixed term or period of notice	30 562	28 940	6
	106 361	**106 947**	**– 1**
Total	**107 878**	**108 255**	**–**

(35) Risk Provisioning

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Specific valuation allowance			
Domestic customers	1 948	1 890	3
Customers abroad	534	353	51
	2 482	**2 243**	**11**
Lumpsum specific loan loss provisions			
Domestic customers	7	7	–
	7	**7**	**–**
General loan loss provisions			
German banks	–	1	– 100
Foreign banks	1	1	–
Domestic customers	365	446	– 18
Customers abroad	64	49	31
	430	**497**	**– 13**
Total	**2 919**	**2 747**	**6**

Risk provisioning recognised on the asset side and loan loss provisions developed as follows:

	Specific valuation allowances		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1 January	**2 243**	**1 754**	**7**	**14**	**497**	**478**	**74**	**124**	**2 821**	**2 370**
Allocations	1 259	1 232	3	2	136	218	16	20	1 414	1 472
Reversals	533	535	3	9	203	199	35	60	774	803
Utilisation	455	214	–	–	–	–	–	3	455	217
Unwinding	– 76	– 82	–	–	–	–	– 1	–	– 77	– 82
Effects of changes of foreign exchange rates and other changes	95	102	–	–	–	1	1	– 7	96	96
Changes of the basis of consolidation	– 51	– 14	–	–	–	– 1	–	–	– 51	– 15
31 December	**2 482**	**2 243**	**7**	**7**	**430**	**497**	**55**	**74**	**2 974**	**2 821**

(36) Balancing Items for Financial Instruments hedged in the Portfolio Fair Value Hedge

This item includes the fair value adjustments to assets attributableto the hedged risk, for which there is a fair value hedge portfolio.

(37) Financial Assets at Fair Value through Profit or Loss

This item contains the trading assets (HfT) and financial assets designated at fair value (DFV).

The trading activities of the Group comprise trading in debt securities and other fixed-interest securities, shares and other non fixed-interest securities and derivative financial instruments which are not used for hedge accounting.

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities			
Bonds and debt securities			
issued by public-sector borrowers	444	361	23
issued by other borrowers	1 371	2 590	– 47
	1 815	**2 951**	**– 38**
Shares and other non fixed-interest securities			
Shares	63	55	15
	63	**55**	**15**
Positive fair values from derivatives			
Interest-rate risks	7 035	8 060	– 13
Currency risks	577	639	– 10
Share-price and other price risks	10	181	– 94
Credit derivatives	24	18	33
	7 646	**8 898**	**– 14**
Trading portfolio claims	2 729	2 451	11
	12 253	**14 355**	**– 15**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	200	257	– 22
Debt securities and other fixed-interest securities	1 582	1 694	– 7
	1 782	**1 951**	**– 9**
Total	**14 035**	**16 306**	**– 14**

For receivables designated at fair value there is a maximum default risk of € 200 million (€ 257 million).

The change in the fair value, which is attributable to changes in the credit risk of receivables designated at fair value, amounts to € 8 million (€ 7 million) in the period under review; the cumulative change is € 1 million (€ 11 million).

The credit-risk induced change in fair value is calculated on the basis of considering the difference between two fair values, which are calculated on the basis of market data applicable at the start of the year. This difference is solely the result of the change in the relevant spread curves which takes place during the course of the financial year.

(38) Positive Fair Values from Hedge accounting Derivatives

This item includes positive fair values of hedging instruments in effective micro fair value hedges and portfolio fair value hedges.

	31 Dec. 2014 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Micro fair value hedge derivatives	1 882	2 498	– 25
Portfolio fair value hedge derivatives	625	985	– 37
Total	**2 507**	**3 483**	**– 28**

(39) Financial Assets

The balance sheet item financial assets includes all the debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non fixed-interest securities, shares in companies which are not measured in accordance with IAS 10, IAS 11 or IAS 28 and financial assets classified as Loans and Receivables (LaR).

Holdings in the equity of other companies and silent participations and participatory capital with loss sharing are allocated to the category (AfS).

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Financial assets classified as LaR	**3 423**	**3 181**	**8**
Debt securities and other fixed-interest securities			
issued by public-sector borrowers	432	1 603	– 73
issued by other borrowers	2 991	1 578	90
	3 423	**3 181**	**8**
Financial assets classified as AfS	**31 092**	**41 939**	**– 26**
Debt securities and other fixed-interest securities			
issued by public-sector borrowers	16 299	17 963	-9
issued by other borrowers	14 194	23 349	– 39
	30 493	**41 312**	**– 26**
Shares and other non fixed-interest securities			
Shares	60	55	9
Investment certificates	98	104	– 6
Participation certificates	3	5	– 40
	161	**164**	**– 2**
Shares in companies - not consolidated	301	334	– 10
Other financial assets classified as AfS	137	129	6
	438	**463**	**– 5**
Total	**34 515**	**45 120**	**– 24**

(40) Property and Equipment

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Land and buildings	283	295	– 4
Operating and office equipment	45	53	– 15
Ships	200	198	1
Other property and equipment	45	22	> 100
Total	**573**	**568**	1

The development of property and equipment is shown under Note (41) Investment property.

(41) Investment Property

The profit/loss from investment property is summarised as follows:

(in € million)	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014
Rental income	10	12
Direct operating expenses	5	6

The development of cost and accumulated depreciation for property and equipment and investment property is shown as follows:

	Land and buildings	Operating and office equipment	Ship	Other property equipment	**Total**	Investment property
Cost as at 1 January 2014	**714**	**265**	**285**	**12**	**1 276**	**118**
Additions	–	15	–	12	**27**	9
Disposals	19	27	–	–	**46**	15
Transfers	–	1	–	– 1	**–**	–
Change from the basis of consolidation[1]	– 59	– 9	–	–	**– 68**	– 46
Changes from currency translation	–	1	13	–	**14**	–
Totals 31 December 2014	**636**	**246**	**298**	**23**	**1 203**	**66**
Accumulated depreciation as at 1 January 2014	**371**	**206**	**76**	**1**	**654**	**16**
Depreciation	12	16	12	–	**40**	2
Impairments (non-scheduled)	6	–	9	–	**15**	6
Disposals	19	22	–	–	**41**	14
Change from the basis of consolidation	– 29	– 7	– 1	–	**– 37**	– 24
Changes from foreign exchange rates	–	–	4	–	**4**	–
Totals 31 December 2014	**341**	**193**	**100**	**1**	**635**	**– 14**
Closing balance as at 31 December 2014	**295**	**53**	**198**	**22**	**568**	**80**
Cost as at 1 January 2015	**636**	**246**	**298**	**23**	**1 203**	**85**
Additions	–	6	16	22	**44**	1
	–	–	13	–	**13**	–
Disposals	3	19	–	–	**22**	–
Changes from foreign exchange rates	–	1	13	–	**14**	–
Totals 31 December 2015	**633**	**234**	**327**	**45**	**1 239**	**86**
Accumulated depreciation as at 1 January 2014	**341**	**193**	**100**	**–**	**634**	**5**
Depreciation	11	15	11	–	**37**	2
Impairments (non-scheduled)	–	–	12	–	**12**	2
Disposals	2	19	–	–	**21**	–
Changes from foreign exchange rates	–	–	4	–	**4**	–
Totals 31 December 2015	**350**	**189**	**127**	**–**	**666**	**9**
Closing balance as at 31 December 2015	**283**	**45**	**200**	**45**	**573**	**77**

[1] From the disposal of companies

€ 1 million (€ 5 million) of the additions of investment property relates to an acquisition and € 0 million (€ 4 million) to the capitalisation of retrospective amortised costs.

(42) Intangible Assets

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Software			
Purchased	25	25	–
Internally generated	19	42	– 55
	44	**67**	**– 34**
Intangible assets under development	85	60	42
Other intangible assets	20	12	67
Total	**149**	**139**	**7**

Intangible assets under development refer primarily to internally generated software. Fully amortised software is still in use.

Expenses for research and development in the amount of € 0 million (€ 74 million) have been incurred. The research expenditure on internally developed software which is not eligible for capitalisation totals € 0 million (€ 45 million).

Impairments of intangible assets of € 0 million (€ 2 million) result from purchases of software.

The NORD/LB Group has intangible assets with an indefinite useful life in the amount of € 7 million (€ 7 million).

The NORD/LB Group's significant intangible assets are shown in the table below:

	Carrying amount (in € million)		Remaining depreciation period (in years)	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
IT applications[1)]	45	15	unlimited	2
Internally developed software[1)]	46	11	11	12
Brand name	4	5	unlimited	unlimited

[1)] The above amounts include both completed intangible assets and intangible assets under construction.

The development of intangible assets is as follows:

	Software Purchased	Software Internally generated	Other Purchased	Other Internally generated	**Total**
Cost as at 1 January 2014	**134**	**239**	**18**	**39**	**430**
Additions	10	2	3	23	**38**
Disposals	2	–	–	–	**2**
Transfers	4	2	– 4	– 2	**–**
Change from the basis of consolidation	– 23	–	–	–	**– 23**
Totals 31 December 2014	**123**	**243**	**17**	**60**	**443**
Accumulated depreciation as at 1 January 2014	**114**	**175**	**5**	**–**	**294**
Scheduled Depreciation	6	26	–	–	**32**
Depreciation (non-scheduled depreciation)	2	–	–	–	**2**
Additions	2	–	–	–	**2**
Change from the basis of consolidation	– 22	–	–	–	**– 22**
Totals 31 December 2014	**98**	**201**	**5**	**–**	**304**
Closing balance as at 31 December 2014	**25**	**42**	**12**	**60**	**139**
Cost as at 1 January 2015	**123**	**243**	**17**	**60**	**443**
Additions	17	–	9	25	**51**
Disposals	13	–	–	–	**13**
Totals 31 December 2015	**127**	**243**	**26**	**85**	**481**
Accumulated depreciation as at 1 January 2015	**98**	**201**	**5**	**–**	**304**
Depreciation	9	23	1	–	**33**
Additions	5	–	–	–	**5**
Totals 31 December 2015	**102**	**224**	**6**	**–**	**332**
Closing balance as at 31 December 2015	**25**	**19**	**20**	**85**	**149**

(43) Assets held for Sale

The assets held for sale in accordance with IFRS 5 are broken down as follows:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances to banks and customers	1	–	–
Financial assets at fair value through profit or loss	1	–	–
Investments accounted for using the equity method	36	22	64
Property and equipment	18	33	– 45
Other assets	2	1	100
Total	**58**	**56**	**4**

The financial assets held for sale are shares in an affiliated company that are allocated to the segment Group Management/Others and were classified for the first time as held for sale with effect of 28 May 2015. They were accounted for at this time using the equity method. The disposal of the shares held in the Group is planned to take place in the first quarter of 2016. In accordance with IFRS 5.20 an impairment in the amount of € 0 million (€ 3 million) was recognised in other operating profit/loss.

Property and equipment held for sale include ships from the Ship Customers segment, which were reported at fair value as at 31. December

2014 for the first time within the full consolidation. In accordance with IFRS 5.20 an impairment in the amount of € 11 million (€ 0 million) was recognised in other operating profit/loss. The restructuring or disposal of the remaining ships is planned to take place in the first quarter of 2016.

With the completion of the reorganisation process, a long-term asset held for sale (ship) was sold from the Ship Customers segment to a new investor in the third quarter and is therefore no longer shown under assets held for sale. A profit of € 1 million (€ 0 million) was recognised under other operating profit/loss.

Assets held for sale also include in the amount of € 1 million (€ 0 million) the assets of a fully-consolidated subsidiary. This is allocated to the Private Customer Business segment and is to be sold for strategic reasons in order to concentrate on the core business.

These values mainly concern other assets in the amount of € 1 million (€ 0 million). The sale of the subsidiary is planned for 2016.

The reference figure for the previous year for financial assets in the amount € 22 million includes shares in a joint venture that were previously accounted for using the equity method and were disposed of in the second quarter of 2015.

(44) Income Tax Assets

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Current income tax assets	37	57	– 35
Deferred tax assets	663	784	- 15
Total	**700**	**841**	**- 17**

Deferred tax assets reflect potential relief on income taxes from temporary differences in the values of assets and liabilities between the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax assets which were recognised in other comprehensive income (OCI) totalled as at 31 December 2015 € 141 million (€ 216 million).

Deferred income tax assets were established in respect of the following balance sheet items and with tax losses not yet utilised:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Loans and advances to banks	9	147	– 94
Loans and advances to customers	148	11	> 100
Financial assets at fair value through profit or loss	99	148	– 33
Fair values from hedge accounting derivatives	722	644	12
Intangible assets	39	51	– 24
Property and equipment	69	64	8
Other assets	182	205	– 11
Liabilities			
Liabilities to Customers	446	559	– 20
Securitised Liabilities	83	116	– 28
Financial liabilities at fair value through profit or loss	361	529	– 32
Fair values from hedge accounting derivatives	967	1 276	– 24
Provisions	709	522	36
Other liabilities	129	233	– 45
Tax loss carried forward	9	64	– 86
Total	**3 972**	**4 569**	**– 13**
Net	3 309	3 785	– 13
Total	**663**	**784**	**– 15**

In addition to deferred taxes recognised in the income statement, netted deferred income tax assets also comprise financial assets of € 2 million (€ 0 million) and provisions of € 139 million (€ 216 million) recognised in other comprehensive income (OCI). Active deferred taxes were applied in the reporting period for all losses carried forward from corporation tax and trade tax. There is no time limit on the utilisation of existing tax losses carried forward.

(45) Other Assets

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances on interim accounts	153	100	53
Rights to reimbursement from Unterstützungskasse NORD/LB	503	–	–
Rights to reimbursement from defined benefit plans	16	19	– 16
Other assets including prepaid expenses	306	326	– 6
Total	**978**	**445**	**> 100**

The receivables in interim accounts primarily relate to receivables in lending business and transactions in payment accounts.
NORD/LB AöR has partly transferred the existing pension obligations to Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e.V., Hanover. Due to an existing mandate with Unterstützungskasse, NORD/LB will continue to make pension payments though and on this basis has the right to a refund from

Unterstützungskasse. NORD/LB AöR's right to a refund from Unterstützungskasse equates to the fair value of the assets transferred to Unterstützungskasse from NORD/LB AöR for the purpose of making the pension payments.

Regarding the development of the refund claim, Note (52) Provisions is referred to.

Refund claims from defined benefit plans include allocated provisions for pensions to the benefit of parties outside the Group.

Of the other assets, an initial margins account for a total € 220 million (€ 246 million).

(46) Liabilities to Banks

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Deposits from other banks			
German banks	2 169	1 407	54
Foreign banks	1 236	887	39
	3 405	**2 294**	**48**
Liabilities resulting from money market transactions			
German banks	9 971	20 012	– 50
Foreign banks	10 150	8 389	21
	20 121	**28 401**	**– 29**
Other liabilities			
German banks			
Due on demand	2 751	3 117	– 12
With a fixed term or period of notice	21 062	21 491	– 2
Foreign banks			
Due on demand	759	1 512	– 50
With a fixed term or period of notice	712	2 171	– 67
	25 284	**28 291**	**– 11**
Total	**48 810**	**58 986**	**– 17**

(47) Liabilities to Customers

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 293	1 650	– 22
Customers abroad	13	15	– 13
With an agreed notice period of more than three months			
Domestic customers	34	78	– 56
Customers abroad	1	1	–
	1 341	**1 744**	**– 23**
Liabilities resulting from money market transactions			
Domestic customers	12 254	10 896	12
Customers abroad	3 141	1 940	62
	15 395	**12 836**	**20**
Other liabilities			
Domestic costumers			
Due on demand	16 519	13 719	20
With a fixed term or period of notice	24 496	27 523	– 11
Customers abroad			
Due on demand	713	791	– 10
With a fixed term or period of notice	2 133	1 383	54
	43 861	**43 416**	**1**
Total	**60 597**	**57 996**	**4**

(48) Securitised Liabilities

	31 Dec. 2015 (in € million)	31 Dec. 2014[1)] (in € million)	Change (in %)
Issued debt securities			
Mortgage bonds	10 968	11 190	– 2
Municipal debentures	10 472	10 106	4
Other debt securities	12 618	17 376	– 27
	34 058	**38 672**	**– 12**
Money market instruments			
Commercial paper	1 452	1 726	– 16
Certificates of deposit	367	316	16
	1 819	**2 042**	**– 11**
Total	**35 877**	**40 714**	**– 12**

1) The previous year's figures were adjusted by € 1.840 billion in accordance with IAS 1.

Repurchased debt securities issued by the Bank itself have been directly deducted from securitised liabilities in the amount of € 4.720 billion (€ 5.140 billion).

(49) Balancing Items for Financial Instruments hedged in the Portfolio Fair Value Hedge

This item includes the fair value adjustments to financial liabilities in portfolio fair value hedges for transactions classified as other liabilities (OL); these fair value adjustments are attributable to the hedged risk.

(50) Financial Liabilities at Fair Value through Profit or Loss

This item shows trading liabilities (HfT) and financial liabilities designated at fair value (DFV).

Trading liabilities comprise negative fair values resulting from derivative financial instruments which are not used in hedge accounting and delivery obligations resulting from short sales of securities.

The category financial liabilities designated at fair value includes liabilities to banks and customers and securitised liabilities.

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives relating to			
interest rate risks	5 915	7 147	– 17
currency risks	1 808	1 821	– 1
share-price and other price risks	8	2	> 100
credit derivatives	11	26	– 58
	7 742	**8 996**	**– 14**
Delivery obligations from short-sales	12	122	– 90
	7 754	**9 118**	**– 15**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 098	6 429	– 5
Securitised liabilities	2 205	2 598	– 15
Subordinated capital	–	24	– 100
	8 303	**9 051**	**– 8**
Total	**16 057**	**18 169**	**– 12**

The change in the fair value of liabilities designated at fair value is the result of changes in the credit risk and amounts to € 15 million (€ -49 million) in the period under review; the cumulative change is € -68 million (€ -106 million).

The credit-risk induced change in fair value is calculated on the basis of difference consideration. The amount stated is the result of the differrence between the fair value determined on the balance sheet date on the basis of current market data as well as the current NORD/LB spread curves and the fair values calculated with the help of current market data and the NORD/LB spread curves used in previous reporting periods.

The carrying amount of liabilities designated at fair value as at 31 December 2015 is € 599 million higher (€ 1.074 billion) than the corresponding repayment amount. The difference essentially comprises compounding effects from zero bond issues and is the difference between the discounted payment typical for zero bonds and their repayment at nominal value.

(51) Negative Fair Values from Hedge accounting Derivatives

This item includes positive fair values of hedging instruments in effective micro fair value hedges and portfolio fair value hedges.

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Micro fair value hedge derivatives	2 871	3 506	– 18
Portfolio fair value hedge derivatives	277	420	– 34
Total	**3 148**	**3 926**	**– 20**

(52) Provisions

Provisions are broken down as follows:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Provisions for pensions and other obligations	**2 122**	**2 478**	**– 14**
Other provisions			
Provisions in lending business	55	74	– 26
Provisions for restructuring measures	5	9	– 44
Provisions for expected losses	–	1	– 100
Provisions for uncertain liabilities	246	284	– 13
	306	**368**	**– 17**
Total	**2 428**	**2 846**	**– 15**

Pensions and similar Obligations

The net liability from a defined benefit plan is broken down as follows:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Present value of defined benefit obligations	2 332	2 550	– 9
Less fair value of plan assets	– 210	– 71	> 100
Total	**2 122**	**2 479**	**– 14**

In the NORD/LB Group there are both defined benefit pension obligations and on a small scale defined contribution pension obligations.

Description of the Pension Plans

The NORD/LB Groups company pensions are based on several retirement benefit systems. On the one hand employees acquire an entitlement to a pension through a defined contribution made by the Group to an external pension fund (defined contribution plan). The pension entitlements are based on annual benefit components, the amount of which depend on the individual pensionable annual salary. In this case contributions are reported as current expenses on application of IAS 19 financial reporting regulations for defined contribution plans. No pension provisions need to be made.

Employees also acquire entitlements to pensions with defined benefits, dependent on factors such as anticipated wage and salary increases, age, length of service and a forecast pension trend (defined benefit plan). These mainly concern various pension modules, with benefits for reduction in earnings capacity and dependent's pensions also being granted in addition to a retirement pension, depending on the occurrence of the insured event. Plan assets of pension commitments are primarily supported by plan assets in the form of cash and cash equivalents and fixed-interest securities. There are also entitlements to allowance payments.

Defined pension entitlements from direct and indirect commitments exist. The payments for direct pension entitlements are made directly by NORD/LB, while the payments for indirect pension entitlements are made by the legally independent Unterstützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V., Hanover, or Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen, (provident funds). The executive bodies of the provident funds are made up of employer and employee representatives of the NORD/LB Group. The provident funds are partially reinsured / lump-sum-endowed provident funds and are furnished with liquid funds within the legal framework to provide the pension services of NORD/LB and Bremer Landesbank. NORD/LB and Bremer Landesbank also bear as the funding companies of the pension obligations the subsidiary liability for the service performed by the provident funds. NORD/LB AöR has a refund claim against the Unterstützungskasse in the amount of the fair value of the assets of the Unterstützungskasse. NORD/LB reports this refund claim under other assets (Note (45)). In the case of Bremer Landesbank, the assets of the Unterstützungseinrichtung are offset against the pension obligations of Bremer Landesbank as the requirements for offsetting have been met.

Different occupational pension schemes are in place in the NORD/LB Group, with commitments based on collective bargaining employment agreements or on individual contractual commitments. Significant occupational pension schemes (Versorgungsordnungen, VO) in this case are the total benefit commitment according to German civil service law (Gesamtversorgungszusage nach Beamtenrecht), VO 1973 and VO 2000. The accounting regulations according to IAS 19 for defined benefit plans apply for these benefit schemes.

The defined pension commitment has also applied for members of the Managing Board since 1 January 2000 on the basis of VO 2000. In addition, depending on the role of the member of the Managing Board and the number of reappointments to the Managing Board, in addition to the benefit components acquired in instalments, further initial components are awarded here. Members of the Managing Board who joined the company before 1 January 2000 received an individual total benefit commitment which was in accordance with the regulations as at 31 December 1999.

No more employees are included either in VO 1973 or in VO 2000. VO 2000 was recently closed with effect of 31 December 2013.

Since 1 January 2014 the pension commitments for new starters at NORD/LB AöR have been reported through the BVV Bankenversicherungsverein des Bankgewerbes a.G., Berlin, (BVV) as a reinsured provident fund.

Additionally, all employees of the Bank may finance an additional pension via deferred remuneration through the BVV Versicherungsverein des Bankgewerbes a.G. (pension fund).

Risks from defined Benefit Pension Plans

The NORD/LB Group is exposed to various risks from defined benefit pension plans.

As a registered public institute (Anstalt öffentlichen Rechts), NORD/LB was the subject of a guarantor liability up to and including 17 July 2001. This means that creditors, and therefore also employees, are entitled in respect of their pension entitlements to have the amounts owed to them paid by the respective guarantors of the registered public institute. On 17 July 2001 the guarantor liability for savings banks and landesbanks was abolished by the European Commission. Therefore pension commitments agreed at this time are covered indefinitely by the guarantor liability. Also covered by the guarantor liability are all pension commitments made up to 18 July 2005, provided the pension benefit can be claimed before 31 December 2015. All pension commitments agreed since 18 July 2001 and all commitments not covered by the transition rules are protected against insolvency by NORD/LB paying contributions to a pension guarantee association.

Both the liabilities from defined benefit obligations and the plan assets may fluctuate over time. This might have a negative or positive impact on the financing status. The fluctuations of defined benefit obligations result in particular from changes in financial assumptions such as interest rates as well as changes in demographic assumptions such as a change in life expectancy. Due to the arrangement of existing pension commitments, the amount of the benefits depends on the development of pensionable income, the earnings ceiling in the statutory pension insurance and the social security benefit. If these parameters do not develop as assumed when the provisions were calculated, additional finance might be necessary. The NORD/LB Group reviews the pension payments schedule regularly (liquidity control), as well as the investment strategy and the level of investment. The level of investment and pension payments is calculated on each due date based on actuarial reports. Most of the amount invested is invested in cash and cash equivalents and a small share in government bonds which have at least an AA rating are listed in an active market. An investment is also made in the same amount of the pension payments in short-term, highly fungible other assets. The interest-rate risk is largely reduced by the even rolling nature of the investment debt instruments (government bonds). The market and investment risk is countered by means of observing the minimum rating (AA) of the investments and the investment type (predominantly government bonds). The control of liquidity risk which is due among other things to the pension payments is described in the risk report.

At the level of the provident funds, the respective executive bodies have defined the framework for investing funds in the respective capital investment guidelines. In both provident funds, funds are largely invested to finance pension payments in low-risk forms of investment (debt instruments of NORD/LB, interest hedges with NORD/LB, liquid funds and reinsurance claims). The executive bodies can commission a third party to manage the funds assets.

Joint Schemes for multiple Employers

Along with other financial institutions in German, the NORD/LB Group is a member of the BVV Versorgungskasse des Bankgewerbes e.V. (BVV). Both the Group as an employer and also the employees with the requisite entitlement regularly make pension contributions to the BVV. The BVV's tariffs permit fixed pension payments with surplus contributions. The employer's subsidiary liability vis-à-vis its own employees applies in the case of BVV.

The Group classifies the BVV plan as a benefit plan and treats it for accounting purposes as a contribution-defined plan as the available information is not sufficient for reporting as a benefit plan. NORD/LB considers the likelihood of a claim arising from the subsidiary liability to be extremely low and thus has created neither a contingent liability nor a reserve for this eventuality.

The net liability of defined benefit obligations can be reconciled from the opening to the closing balance of the period taking into account the effects of the items shown below:

	Defined benefit obligation		Fair value of plan assets		Negative balance (net indebtness)		Change (in %)
	2015	2014	2015	2014	2015	2014	
Opening balance	**2 550**	**2 021**	**71**	**66**	**2 479**	**1 955**	**27**
Current service cost	51	38	–	–	51	38	34
Interest expense	56	73	– 2	– 3	58	76	– 24
Additional accounting current service costs	1	–	–	–	1	–	–
Change from Consolidation	– 2	– 205	– 1	–	– 1	– 205	– 100
Effects from settlements / assignments (compensation payments)	– 9	–	– 4	–	– 5	–	–
Increase / decrease resulting from changes in foreign exchanges rates	3	3	2	2	1	1	–
Benefits paid	– 71	– 66	– 17	– 16	– 54	– 50	8
Employer contributions	–	–	160	14	– 160	– 14	> 100
	2 579	**1 864**	**213**	**69**	**2 366**	**1 795**	**32**
Revaluation							
Adjustments made on the basis of experience	– 14	33	–	–	– 14	33	> 100
Profit / losses from the change in demographic assumptions	–	1	–	–	–	1	– 100
Profit / losses from the change in financial assumptions	– 233	652	–	–	– 233	652	> 100
Without interest income	–	–	– 3	2	3	– 2	> 100
Closing balance	**2 332**	**2 550**	**210**	**71**	**2 122**	**2 479**	**– 14**

In addition to pension commitments, the present value of defined benefit obligations includes allowance payments in the amount of € 194 million (€ 209 million).

In 2015 former employees who left NORD/LB with a non-forfeitable claim and recipients of benefits (pensioners and surviving dependents) with low pension entitlements were informed of the possibility to settle their entitlements. The settlement reduced NORD/LB's obligations by € 7 million. The settlement was in the amount of the value of the obligation under the German Commercial Code, and due to the reversal of the higher provision under there was a positive settlement gain of € 1 million.

Notwithstanding the above, the pension plan for the New York branch was also terminated. The plan covered benefit entitlements for employees of the branch in the amount of € 7 million. The employees affected by the termination had the choice of settling their benefit entitlement or transferring it to an independent third party. In September 2015 € 4 million of benefit entitlements were settled by payments in the same amount and € 3 million of benefit entitlements were transferred.

The defined benefit obligation is broken down as at the balance sheet date into amounts for defined benefit plans in the amount of € 1.858 billion (€ 2.012 billion) which are not financed through a fund and into amounts from defined benefit obligations in the amount of € 476 million (€ 538 million) which are either fully or partially financed through a fund.

The fair value of plan assets is broken down as follows:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Equity instruments			
active market	16	19	– 16
Debt instruments			
active market	35	25	40
inactive market	– 1	12	> 100
	34	**37**	**– 8**
Zahlungsmittel/äquivalente	**134**	**3**	**> 100**
Other assets			
active market	26	8	> 100
inactive market	–	4	– 100
	26	**12**	**> 100**
Total	**210**	**71**	**> 100**

The fair value of plan assets includes the bank's own debt instruments in the amount of € 1 million (€ 1 million). Other assets include in the amount of € 13 million (€ 0 million) assets from reinsurance cover.

The fair value of NORD/LB's refund claim against Unterstützungskasse has developed as follows:

	2015	2014	Change (in %)
Opening balance	**–**	**–**	**–**
Benefits paid on reimbursement	– 12	–	–
Capital contribution by owner companies	519	–	–
Capital reimbursement to owner companies	–	–	–
Calculated interest income on reimbursement	2	–	–
Revaluation (OCI)	– 6	–	–
Other changes in value (P&L)	–	–	–
Closing balance	**503**	**–**	**–**

The table below shows the expected undiscounted defined benefit obligations broken down by time to maturity:

(in € million)	Pensions expenses 31 Dec. 2015	Pensions expenses 31 Dec. 2014
Less than 1 year	– 66	– 62
between 1 and 2 years	– 68	– 65
between 2 and 3 years	– 70	– 67
between 3 and 4 years	– 72	– 70
between 4 and 5 years	– 75	– 72
Total	**– 351**	**– 336**

The duration of the defined benefit pension obligation is 20 (20) years and is reviewed every year by an actuarial expert.
The contribution payments for defined benefit plans are expected to be € 1 million (€ 11 million) in the next reporting period.

Due to the actuarial assumptions, the defined benefit obligation is subject to change. The following sensitivity analysis shows the impact of the change in the respective assumption on the amount of the defined benefit obligation under the premise that there are no correlations and there is no change in the other assumptions.

(in € million)	Increase 31 Dec. 2015	Decline 31 Dec. 2015	Increase 31 Dec. 2014	Decline 31 Dec. 2014
Actuarial interest rate	232	201	267	230
Wages	29	28	31	30
Pensions	62	59	70	67
Cost increase rate for allowance payments	43	33	50	38
Mortality, invalidity, etc.	104	105	101	90

A sensitivity of -/+ 0.50 (0.50) per cent was applied to the interest rate, -/+ 0.25 (0.25) per cent for both the salary and pension trend and 1 (1) per cent for allowances. To calculate the impact on the obligation of an increase in life expectancy, the probability of death was reduced to 90 (90) per cent. This results in an increase in life expectancy of 0.8 to 1.2 years (0.8 to 1.2 years) in the 20 to approx.. 70 age range, an increase of 0.4 to 0.8 years (0.4 to 0.8 years) in the approx.. 70 to 90 age range and less than 0.4 years (0.4 years) in the above approx.. 80 age range. Due to reasons of materiality, a sensitivity analysis was only conducted for Germany.

Other provisions developed as follows in the year under review:

	Provisions in lending business	Provisions for reorganisation	Provisions for contingent losses	Provisions for uncertain liabilities		Total
				Provisions for liabilities to personnel	Other provisions for uncertain liabilities	
1 January	**74**	**9**	**1**	**200**	**84**	**368**
Utilisation	–	4	–	59	11	74
Resolutions	35	–	1	5	7	48
Reversals	16	–	–	9	32	57
Allocations	–	–	–	2	–	2
Changes from foreign exchange rates	–	–	–	1	–	1
31 December	**55**	**5**	**–**	**148**	**98**	**306**

Provisions for restructuring relate to the implementation of the business model initiated in 2005. Reported under provisions for liabilities to personnel are provisions for restructuring measures in the amount of € 81 million (€ 90 million) which are a result of the efficiency improvement programmed launched in 2011 (cf. Note (29) Reorganisation expenses). Of the provisions for liabilities to personnel, provisions due to early retirement schemes account for € 19 million (€ 28 million) and provisions for long-service awards account for € 4 million (€ 4 million).
The other provisions for uncertain liabilities include provisions for litigation and regress risks of

€ 54 million (€ 38 million). Uncertainty regarding the amount and time of these provisions result from low empirical values and the differentiated nature of the underlying circumstances.

The other provisions are mainly due in the long term.

(53) Liabilities held for Sale

This position contains obligations of several companies held for sale totalling € 7 million (€ 6 million).

(54) Income Tax Liabilities

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Current Income tax liabilities	116	73	59
Deferred tax liabilities	87	100	– 13
Total	**203**	**173**	**17**

Current income tax liabilities comprise payment obligations from current income tax to domestic and foreign tax authorities.

Deferred tax liabilities reflect potential income tax liabilities from temporary differences between the values of assets and liabilities in the IFRS consolidated balance sheet and tax values in accordance with the tax regulations of the Group companies. Deferred tax assets which were recognised in other comprehensive income (OCI) totalled as at 31 December 2015 € 100 million (€ 79 million).

Deferred tax liabilities relate to the following balance sheet items:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Loans and advances to banks	63	30	> 100
Loans and advances to customers	292	329	– 11
Risk Provisioning	92	45	> 100
Financial assets at fair value through profit or loss	137	181	– 24
Fair values from hedge accounting derivatives	701	979	– 28
Financial assets	437	789	– 45
Intangible assets	21	24	– 13
Property and equipment	22	21	5
Other assets	169	11	> 100
Liabilities			
Liabilities to banks	6	179	– 97
Liabilities to customers	166	59	> 100
Securitised liabilities	11	6	83
Financial liabilities at fair value through profit or loss	1 213	1 211	0
Provisions	2	4	– 50
Other liabilities	64	17	> 100
Total	**3 396**	**3 885**	**– 13**
Net	3 309	3 785	– 13
Total	**87**	**100**	**– 13**

In addition to deferred taxes recognised in the income statement, deferred tax liabilities also comprise financial assets of € 100 million (€ 79 million) recognised in other comprehensive income (OCI).

(55) Other Liabilities

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Liabilities resulting from unsettled invoices	41	49	– 16
Liabilities from premiums	1	1	–
Liabilities from short-term employee remuneration	61	58	5
Deferred income	10	14	– 29
Liabilities from payable taxes and social insurance contributions	20	15	33
Liabilities from interim accounts	75	45	67
Other liabilities	98	685	– 86
Total	**306**	**867**	**– 65**

Liabilities from short-term employee remuneration comprise residual leave entitlements as well as compensation payments and bonuses; the latter are to be paid to employees in the Group in the first half of 2016.

The liabilities in interim accounts primarily relate to liabilities in lending business and transactions in payment accounts.

(56) Subordinated Capital

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Subordinated liabilities	3 101	3 666	– 15
Participatory capital	152	188	– 19
Silent participations	1 046	992	5
Total	**4 299**	**4 846**	**– 11**

Subordinated liabilities are not paid back until the claims of all senior creditors have been satisfied. At € 2.605 billion (€ 2.632 billion) they meet the requirements of art. 63 of EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) for inclusion as Tier 2 capital in accordance with art. 62 of the CRR. Interest expenses for subordinated liabilities total € 156 million (€ 154 million).

Participatory capital comprises solely registered participatory capital. At € 0 million (€ 53 million), the participatory capital meets the requirements of art. 63 CRR for inclusion as Tier 2 capital in accordance with art. 62 of the CRR. Interest expenses for participatory capital total € 9 million (€ 11 million).

Silent participations represent borrowed capital under IAS 32 due to their contractual structure and economic character. Of this, € 401 million (€ 476 million) meets the requirements of art. 63 CRR for permanent inclusion as Tier 2 capital in accordance with art. 62 of the CRR. In deviation to this, silent participations will be allocated in accordance with the applicable transitional provisions of art. 484 para. 4 of the CRR in conjunction with § 31 of the German Solvency Regulation (Solvabilitätsverordnung) on a pro-rata basis to Additional Tier 1 capital by no later than the end of 2021 in accordance with art. 51 of the CRR. As at the reporting date, the maximum share is 70 per cent (80 per cent) of the regulatory carrying amounts of the silent participations as at 31 December 2012 or a maximum of € 620 million (€ 709 million). As the balance of silent participations on the reporting date is below this maximum share, all of the silent participations as at the reporting date are therefore included in Additional Tier 1 capital. Interest expenses relating to silent participations total € 83 million (€ 75 million).

The actual subordinated capital included in regulatory capital is also dependent on other conditions (e.g. residual terms) and can be found in the regulatory disclosures on equity.

(57) Equity

The equity is made up as follows:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Issued capital	1 607	1 607	–
Capital reserves	3 332	3 332	–
Retained Earnings	2 493	1 957	27
Revaluation reserve	454	420	8
Currency translation reserve	– 9	– 10	– 10
Equity capital attributable to the owners of NORD/LB	7 877	7 306	8
Additional Equity components	50	–	
Equity capital attributable to non-controlling interests	586	596	– 2
Total	**8 513**	**7 902**	**8**

As at 31 December 2015 the following shareholdings were held in the subscribed capital of NORD/LB: the federal State of Lower Saxony 59.13 per cent (59.13 per cent), the federal state of Saxony-Anhalt 5.57 per cent (5.57 per cent), the Association of the Savings Banks of Lower Saxony (SVN) 26.36 per cent (26.36 per cent), the Holding Association of the Savings Banks of Saxony-Anhalt (SBV) 5.28 per cent (5.28 per cent) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (SZV) 3.66 per cent (3.66 per cent).

The capital reserves include the amounts paid in capital increases by the owners of NORD/LB in addition to the subscribed capital and silent participations totalling € 10 million (€ 10 million), which due to their economic character represent equity in accordance with IAS 32. The profit share for silent participations is € 1 million (€ 1 million).

Retained profit includes retained profit from previous reporting periods, allocations from profit less the share of minority interests in profit, the effects of the revaluation of the net liability from defined benefit pension plans as well as the changes in equity relating to the shares in companies accounted for using the equity method.

Reported under the item revaluation reserve are the effects of the measurement of available for sale (AfS) financial instruments.

The currency translation reserve includes the effects of the translation of annual reports of foreign business units with a currency other than the euro relating to the application of the closing rate method.

The € 50 million (€ 0 million) reported under the item additional equity components relates to a tranche of Additional Tier 1 bonds newly issued in the NORD/LB Group (AT 1 bonds). These AT1 bonds issued on the 29 June 2015 establish non-collateralised, subordinated liabilities and do not have a maturity date.

The bonds will have a fixed-interest rate of 8.5 per cent in the first five years and a variable interest rate thereafter.

The bank has the right, at its own discreation, not to pay the interest in whole or in part, in particular, but not only, if this is necessary to prevent the Common Equity Tier 1 capital ratio of Bremer Landesbank from falling below the minimum Common Equity Tier 1 capital ratio or to meet a condition imposed by the responsible regulatory authority. Any interest payments that are not paid will not be paid at a later date. The non-payment of interest will not entitle the creditors to terminate the debt securities and will not constitute a default for Bremer Landesbank.

The debt securities may be terminated by the Group in whole, though not in part, subject to the prior approval of the responsible regulatory authority, for the first time on the 29 June 2020 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 bonds 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 per cent (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 each 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 creditors do not have the right to terminate the debt securities.

According to IAS 32, the AT1 bonds are equity instruments, as these financial instruments do not involve any contractual liabilities to provide another company with liquid funds (or another asset). The AT1 bonds do not have a maturity date and early payment is not possible for the bearer. Furthermore, they are interest-bearing debt securities, the issuing Group company has the right not to pay the interest and not to make up the interest not paid at a later date. The AT1 bonds do not document voting rights or any residual claim to the Group's net assets. The AT1 bonds are a distinct type of financial instrument that have to be reported separately under equity.

The payments for AT1 bonds are accounted for in accordance with the instrument's classification as an equity instrument. Distributions to bearers of equity instruments are to be deducted directly from equity and not recognised in the income statement. This will therefore also be the case for the interest payments on the AT1 bonds.

Other shareholders also have an interest in the equity of the NORD/LB Group. These hold shares in the equity of subsidiaries and are reported as non-controlling interests in consolidated equity.

For 2014 the dividend rate is 61 per cent (0.8 per cent). The dividend rate expresses ratio of dividends to owners and non-controlling interest in the period under review to the previous year's consolidated profit.

For 2015 no dividend payment is planned.

Notes to the Cash Flow Statement

The cash flow statement shows the change in cash and cash equivalents for the reporting period as a result of cash flows from operating, investment and financing activities.

Cash and cash equivalents are defined as the cash reserve (cash on hand and balances with central banks).

The cash from operating activities is calculated based on the consolidated profit using the indirect method. Prior to this calculation, expenses which have no effect on cash in the accounting period are added and income which has no effect on cash in the year under review is deducted. Furthermore, all cash expenses and income which are not allocated to operating activities are eliminated. These payments are taken into account in cash flows from investing or financing activities.

In accordance with IASB recommendations, payments from loans and advances to banks and customers, trading securities, liabilities to banks and customers and from securitised liabilities are reported under cash flow from operating activities.

Cash flow from investing activities includes payments relating to investment and security portfolios classified as financial assets as well as cash receipts and payments relating to property and equipment and to the acquisition of subsidiaries.

Cash flow from financing activities includes cash flows from changes in capital, interest payments on subordinated capital and dividend payments to the owners of the parent company NORD/LB.

We refer to information contained in the risk report concerning liquidity risk management in the NORD/LB Group.

Other Disclosures

Notes to Financial Instruments

(58) Fair Value Hierarchy

The fair values of financial instruments are compared with their carrying amounts in the following table.

	31 Dec. 2015			31 Dec. 2014		
	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
Assets						
Cash reserve	872	872	–	1 064	1 064	–
Loans and advances to banks	21 842	21 194	648	24 455	23 565	890
Loans and advances to customers	108 607	107 878	729	110 532	108 255	2 277
Risk provisioning	[1]	– 2 919	2 919	[1]	– 2 747	2 747
Sub-total of loans and advances to banks/customers (net after loan loss provisions)	**130 449**	**126 153**	**4 296**	**134 987**	**129 073**	**5 914**
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	91	– 91	[2]	114	– 114
Financial assets at fair value through profit or loss	14 035	14 035	–	16 306	16 306	–
Positive fair values from hedge accounting derivatives	2 507	2 507	–	3 483	3 483	–
Financial assets not reported at fair value	3 205	3 471	– 266	2 968	3 220	– 252
Financial assets reported at fair value	31 044	31 044	–	41 901	41 901	–
	108	77	31	96	80	16
For sale certain financial assets not recorded at fair value	74	38	36	–	–	–
For sale certain financial assets recorded at fair value	20	20	–	56	56	–
Other assets not reported at fair value	35	35	–	20	20	–
Other assets reported at fair value	36	36	–	25	25	–
Total	**182 385**	**178 379**	**4 006**	**200 906**	**195 342**	**5 564**

[1] Contributions to loan loss provisions are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.

[2] Amounts relating to the assets and liabilities item “Adjustment item for financial instruments hedged in the fair value hedge portfolio” are reported in the fair values of the hedged financial instruments.

	31 Dec. 2015			31 Dec. 2014		
	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
Liabilities						
Liabilities to banks	49 439	48 810	629	60 251	58 986	1 265
Liabilities to customers	63 622	60 597	3 025	61 756	57 996	3 760
Securitised liabilities	36 330	35 877	453	41 691	40 714	977
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	753	-753	[2]	1 176	-1 176
Financial liabilities at fair value through profit or loss	16 057	16 057	–	18 169	18 169	–
Negative fair values from hedge accounting derivatives	3 148	3 148	–	3 926	3 926	–
For sale certain financial liabilities not recorded at fair value	7	7	–	–	–	–
Other liabilities not reported at fair value	29	29	–	16	16	–
Other liabilities not reported at fair value	1	1	–	1	1	–
Subordinated capital	4 726	4 299	427	5 360	4 846	514
Total	**173 359**	**169 578**	**3 781**	**191 170**	**185 830**	**5 340**

[1] Contributions to loan loss provisions are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
[2] Amounts relating to the assets and liabilities item “Adjustment item for financial instruments hedged in the fair value hedge portfolio” are reported in the fair values of the hedged financial instruments.

It was not possible to reliably determine a fair value for € 48 million (€ 39 million) of financial instruments as there is no active market for these financial instruments and necessary estimates are not possible within reasonable fluctuation ranges and suitable probabilities of occurrence. These are mainly investments. It is intended that these financial instruments remain in the company.

The table below shows the distribution of financial assets and liabilities recognised at fair value based on the fair value hierarchy:

	Level 1		Level 2		Level 3		Total	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Assets								
Assets held for trading	725	847	11 463	13 311	65	197	12 253	14 355
Debt securities and other fixed-interest securities	662	792	1 153	2 159	–	–	1 815	2 951
Shares and other non fixed-interest securities	63	55	–	–	–	–	63	55
Positive fair values from derivatives	–	–	7 645	8 898	1	–	7 646	8 898
Interest-rate risks	–	–	7 035	8 060	–	–	7 035	8 060
Currency risks	–	–	576	639	1	–	577	639
Share-price and other price risks	–	–	10	181	–	–	10	181
Credit derivatives	–	–	24	18	–	–	24	18
Trading portfolio claims	–	–	2 665	2 254	64	197	2 729	2 451
Financial assets as at fair value through profit or loss	946	935	836	1 016	–	–	1 782	1 951
Loans and advances to customers	–	–	200	257	–	–	200	257
Financial assets	946	935	636	759	–	–	1 582	1 694
Debt securities and other fixed-interest securities	946	935	636	759	–	–	1 582	1 694
Positive fair values from hedge accounting derivatives	–	–	2 507	3 483	–	–	2 507	3 483
Positive fair values from employed micro fair value hedge derivatives	–	–	1 882	2 498	–	–	1 882	2 498
Interest-rate risks	–	–	1 836	2 383	–	–	1 836	2 383
Currency risks	–	–	46	115	–	–	46	115
Positive fair values from employed portfolio fair value hedge derivatives	–	–	625	985	–	–	625	985
Interest-rate risks	–	–	625	985	–	–	625	985
Financial assets at fair value	11 234	11 124	19 437	30 412	373	365	31 044	41 901
Debt securities and other fixed-interest securities	11 059	10 918	19 430	30 391	4	5	30 493	41 314
Shares and other non fixed-interest securities	161	162	–	2	–	–	161	164
Shares in companies (not consolidated)	14	44	7	19	232	231	253	294
Other financial assets classified as AfS	–	–	–	–	137	129	137	129
For Sale certain financial assets recorded at fair value	–	–	20	56	–	–	20	56
Other assets recorded at for value	16	17	20	8	–	–	36	25
Total	**12 921**	**12 923**	**34 283**	**48 286**	**438**	**562**	**47 642**	**61 771**

	Level 1		Level 2		Level 3		Total	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Liabilities								
Trading liabilities	11	80	7 742	9 021	1	17	7 754	9 118
Negative fair values from derivatives relating to	3	3	7 738	8 976	1	17	7 742	8 996
Interest-rate risks	–	2	5 915	7 129	–	16	5 915	7 147
Currency risks	–	–	1 807	1 820	1	1	1 808	1 821
Share-price and other price risks	3	1	5	1	–	–	8	2
Credit derivatives	–	–	11	26	–	–	11	26
Delivery obligations from short-sales and other trading assets	8	77	4	45	–	–	12	122
Financial liabilities reported at fair value	22	26	8 277	9 016	4	9	8 303	9 051
Liabilities to banks	–	–	442	564	–	–	442	564
Liabilities to customers	–	–	5 656	5 865	–	–	5 656	5 865
Securitised liabilities	22	26	2 179	2 563	4	9	2 205	2 598
Subordinated capital	–	–	–	24	–	–	–	24
Negative Fair Values aus Hedge-Accounting-Derivaten	–	–	3 148	3 926	–	–	3 148	3 926
Negative fair values from employed micro fair value hedge derivatives	–	–	2 871	3 506	–	–	2 871	3 506
Interest-rate risks	–	–	2 497	3 123	–	–	2 497	3 123
Currency risks	–	–	374	383	–	–	374	383
Negative fair values from employed portfolio fair value hedge derivatives	–	–	277	420	–	–	277	420
Interest-rate risks	–	–	277	420	–	–	277	420
Other financial liabilities recorded at fair value	1	1	–	–	–	–	1	1
Total	**34**	**107**	**19 167**	**21 963**	**5**	**26**	**19 206**	**22 096**

The Level 3 financial assets currently recognised at fair value are valued using the counterparty price.

The designated assets held for sale at fair value are non-recurrent fair value valuations (see Note (43) Assets held for sale and Note (53) Liabilities held for Sale).

The transfers within the fair value hierarchy are summarised as follows:

2015 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	–	–	36	–	–	–
Debt securities and other fixed-interest securities	–	–	36	–	–	–
Financial assets as at fair value through profit or loss	188	–	23	–	–	–
Financial assets	188	–	23	–	–	–
Debt securities and other fixed-interest securities	188	–	23	–	–	–
Financial assets at fair value	535	–	2 270	–	–	76
Debt securities and other fixed-interest securities	535	–	2 270	–	–	–
Other financial assets classified as AfS	–	–	–	–	–	–
Financial liabilities reported at fair value	11	–	16	–	5	–
Securitised liabilities	11	–	16	–	5	–

2014 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Assets held for trading	47	–	18	–	–	–
Debt securities and other fixed-interest securities	47	–	18	–	–	–
Financial assets at fair value	386	–	3 782	6	–	–
Debt securities and other fixed-interest securities	386	–	3 782	6	–	–
Trading liabilities	–	–	–	–	–	3
Negative fair values from derivatives relating to	–	–	–	–	–	3
Credit derivatives	–	–	–	–	–	3
Financial liabilities reported at fair value	77	–	13	–	–	–
Securitised liabilities	77	–	13	–	–	–

For asset-side financial instruments, a level assessment takes place on an individual transaction basis in accordance with HFA 47. This specifies how financial instruments are to be classified in the various levels. Accordingly, (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations have to come from an "active market" in order to be allocated to Level 1. If there are only a few broker quotations or if these involve big bid-ask spreads or price differences, it is assumed that there is no active market.

As at the balance sheet date, based on the above, the transfers have been mostly between Level 1 and Level 2 compared to the previous end-of-year reporting date. When measuring the Bank's own structured issues (DFV), the use of market prices is reviewed as at the reporting date. Following this review, some issues generally move between Level 1 and 2 due to a change in trading activity.

There were movements in financial assets classified as AfS from Level 3 to Level 2 as monitorable reference prices and transactions were available for identical financial assets.

The transfer date for the transfers between the individual levels is the end of the reporting period.

Financial assets and liabilities in Level 3 of the fair value hierarchy developed as follows:

	Trading assets	
	Loans and advances to trading and other trading assets	
(in € million)	2015	2014
1 January	**197**	**16**
Effect on the income statement[1)]	– 15	16
Addition from purchase or issuance	57	181
Disposal from sale	85	–
Repayment/ exercise	90	16
31 December	**64**	**197**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1)]	– 15	17

[1)] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement in positions (20) Net interest income and (23) Profit/loss from financial instruments at fair value through profit and loss.

	Financial assets at fair value					
	Fixed-income and book entry securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
	2015	2014	2015	2014	2015	2014
1 January	**5**	**57**	**231**	**227**	**129**	**123**
Effect on the income statement[1)]	–	– 4	15	– 2	– 1	6
Effect on the equity capital	–	13	5	8	–	–
Addition from purchase or issuance	–	–	15	1	9	–
Disposal from sale	1	67	34	5	–	–
Repayment / exercise	–	–	–	– 2	–	–
Addition from Level 1 and 2	–	6	–	–	–	–
Disposal from Level 1 and 2	–	–	–	–	–	–
31 December	**4**	**5**	**232**	**231**	**137**	**129**
Profit / losses result frommeasurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1)]	–	–	–	– 1	–	6

[1)] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (20) Net interest income and (25) Profit/loss from financial assets.

	Trading liabilities					
	Negative fair values from derivatives relating to Currency risks		Negative fair values from derivative currency risk		Negative fair values from derivatives relating to Credit derivatives	
	2015	2014	2015	2014	2015	2014
1 January	**16**	**–**	**1**	**1**	**–**	**3**
Addition from purchase or issuance	–	16	–	–	–	–
Disposal from sale	16	–	–	–	–	–
Disposal to Level 1 and 2	–	–	–	–	–	3
31 December	**–**	**16**	**1**	**1**	**–**	**–**

	Designated financial liabilities reported at fair value	
	Securitsed liabilities	
(in € million)	2015	2014
1 January	**9**	**9**
Disposal to Level 1 and 2	5	–
31 December	**4**	**9**

For the fair value measurement of the financial instruments in Level 3, the following significant input parameters that cannot be observed in the market were used.

Product	Fair value 31 Dec. 2015 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest- bearing bond (assets)	4	Fair Value	-	-
Interest- bearing bond (liabilities)	– 4	historical volatilities	16 - 88%	30 %
Silent participations	128	discount rate	4 - 9%	8%
Other financial assets	9	Fair Value	-	-
Participations	232	discount rate	6 - 10%	9%
Loans	58	Rating	Rating Class (25er DSGV-Skala) 1(A)	Averaged Rating 1(A)
	6	Rating	Rating Class(25er DSGV-Skala) 12	Averaged Rating 12
Derivatives (assets)	1	historical volatilities	12% - 88%	29 %
Derivatives (liabilities)	– 1	historical volatilities	12 %	12 %

A significant input parameter that cannot be observed in the market used in the Level 3 fair value measurement of interest-bearing securities is the fair value itself, because, due to a lack of market data, counterparty prices are used that qualify as Level 3 input parameters. The sensitivity is approximated via a price amendment of 10 per cent and totals € 0.4 million (€ 0.5 million). The aforementioned amount would have a corresponding effect on other comprehensive income (OCI).

A significant input parameter that cannot be observed in the market used in the fair value measurement of participations is the discount rate. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was stressed in the measurement by increasing or reducing it by 50 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of investments in Level 3 of € 7.8 million (€ 5 million) with a corresponding effect on other comprehensive income (OCI).

A significant input parameter that cannot be observed in the market used in the fair value measurement of silent participations is the discount rate. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was stressed in the measurement by increasing or reducing it by 100 basis points. Accordingly an inputed change in the parameter would result in a change in the fair value of these silent participations in Level 3 of € 3,5 million (€ 3.8 - X million) with a corresponding effect on other comprehensive income (OCI).

A significant input parameter that cannot be observed in the market used in the Level 3 fair value measurement of other financial assets is the fair value. This concerns a withholding of tax from the proceeds of a sale for which no market data is available for its measurement. Details concerning the sensitivity are permissibly not given, as the withholding of tax was calculated by the company itself, but is based on the original sales transaction.

A significant input parameter that cannot be observed in the market used in the fair value measurement of loans is the internal rating. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was moved up and down one class. Accordingly an imputed change in the parameter would result in a change in the fair value of the loan in Level 3 of € 0.1 million (€ 1 million) with a corresponding effect on the income statement.

There are currently no derivatives that have been measured as part of syndicated loans and allocated to Level 3. These transactions had a sensitivity in the amount of € 0.6 million in the previous year. There are also derivatives that have been allocated to Level 3 based on historic volatility.

Details concerning the sensitivity of historic volatilities are permissibly not given, as the historic volatilities are not calculated by the company itself, but are based on original market 215ecure215ttions.

The interest-bearing securities, investments and silent participations are mainly reported under financial assets, while derivatives and loans are reported under financial assets and liabilities at fair value through profit or loss.

For the fair value measurement of Level 3 financial instruments, there are no relevant correlations between significant Level 3 input parameters and as a result there is no impact on the fair value.

If fair values are stated in the notes for assets and liabilities that are not measured at fair value in the balance sheet, these are to be classified in the fair value hierarchy. The allocation is shown in the table below:

	Level 1		Level 2		Level 3		Total	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Assets								
Cash reserve	817	1 064	–	–	55	–	872	1 064
Loans and advances to banks	785	817	258	281	20 799	23 357	21 842	24 455
Mortage loans	–	–	–	–	17	23	17	23
Public-sector loans	–	–	–	–	5 154	5 464	5 154	5 464
Mortage-backed loans	–	–	–	–	42	46	42	46
Other loans	–	–	258	281	8 382	9 511	8 640	9 792
Current account and forward contracts	715	725	–	–	6 386	6 239	7 101	6 964
Other advances to banks	70	92	–	–	818	2 074	888	2 166
Loans and advances to customers	78	1 857	1 042	935	107 487	107 740	108 607	110 532
Mortage loans	–	–	–	–	14 052	14 552	14 052	14 552
Public-sector loans	–	168	960	798	29 119	31 646	30 079	32 612
Mortage-backed loans	–	–	–	–	5 204	5 360	5 204	5 360
Other loans	–	1	82	137	53 879	51 590	53 961	51 728
Current account and forward contracts	78	121	–	–	5 135	4 521	5 213	4 642
Other advances to customers	–	1 567	–	–	98	71	98	1 638
Financial assets not reported at fair value	–	12	3 184	2 950	21	6	3 205	2 968
Debt securities and other fixed-interest 216ecureties	–	12	3 184	2 950	21	6	3 205	2 968
Investment property	–	–	102	96	6	–	108	96
For Sale certain financial assets not recorded at fair value	–	–	74	–	–	–	74	–
Other assets reported at fair value	–	–	–	–	35	20	35	20
Total	**1 680**	**3 750**	**4 660**	**4 262**	**128 403**	**131 123**	**134 743**	**139 135**

(in € million)	Level 1 31 Dec. 2015	Level 1 31 Dec. 2014	Level 2 31 Dec. 2015	Level 2 31 Dec. 2014	Level 3 31 Dec. 2015	Level 3 31 Dec. 2014	Total 31 Dec. 2015	Total 31 Dec. 2014
Liabilities								
Liabilities to banks	512	277	3 659	5 262	45 268	54 712	49 439	60 251
Liabilties to customers	282	1 230	10 277	11 050	53 063	49 476	63 622	61 756
Securitsed liabilities	3 427	1 630	31 145	38 335	1 758	1 726	36 330	41 691
Issued debt securities	3 427	30	30 413	37 891	1 758	1 726	35 598	39 647
Money market instruments	–	1 600	732	444	–	–	732	2 044
For sale certain financial liabilities not recorded at fair value	7	–	–	–	–	–	7	–
Other financial liabilities not reported at fair value	1	–	–	–	28	16	29	16
Subordinated capital	344	344	2 797	3 276	1 585	1 740	4 726	5 360
Subordinated liabilities	–	–	2 630	3 109	855	954	3 485	4 063
Participatory capital	–	–	88	88	62	100	150	188
Silent participations	344	344	79	79	660	678	1 083	1 101
Other subordinated capital	–	–	–	–	8	8	8	8
Total	**4 573**	**3 481**	**47 878**	**57 923**	**101 702**	**107 670**	**154 153**	**169 074**

(59) Carrying Amounts by Measurement Category

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Financial assets held for trading	12 253	14 355	– 15
Financial assets designated at fair value	1 782	1 951	– 9
Available for sale assets	31 092	41 939	– 26
Loans and receivables	129 613	132 273	– 2
Total	**174 740**	**190 518**	**– 8**
Liabilities			
Financial liabilities held for trading	7 754	9 118	– 15
Financial liabilities designated at fair value	8 303	9 051	– 8
Other liabilities	149 612	162 558	– 8
Total	**165 669**	**180 727**	**– 8**

Hedging instruments for hedge accounting as defined by IAS 39 and the cash reserve are not included since they are not allocated to any measurement category.

(60) Net Gains or Losses by Measurement Category

	1 Jan. - 31 Dec. 2015 (in € million)	1 Jan. - 31 Dec. 2014[1] (in € million)	Change (in %)
Financial Instruments Held for Trading	– 82	730	> 100
Financial Instruments designated at Fair Value through Profit or Loss	218	– 643	> 100
Available for Sale Assets	76	– 4	> 100
Loans and Receivables	– 617	– 660	– 7
Other Liabilities	– 96	– 68	41
Gesamt	**– 501**	**– 645**	**– 22**

[2] The previous year's figures were adjusted by € 81 million in accordance with IAS 8.42.

The category financial instruments held for trading relates solely to trading profit/loss, while the category financial instruments designated at fair value through profit or loss includes the profit/loss of the fair value option. The category available for sale assets includes the profit/loss from financial assets classified as AfS and the profit / loss from shares in unconsolidated companies. The category Loans and Receivables comprises the risk provisioning, the profit/loss from LaR financial assets and the profit/loss from disposals of receivables. The category other liabilities includes solely income and expenses from the repurchase of own liabilities.

The net gains / losses of the measurement categories of financial instruments held for trading and financial instruments designated at fair value through profit or loss include the commission income for the related transactions. The profit/loss from hedge accounting is not included in the gains / losses since hedge accounting is not allocated to any of the categories.

(61) Impairments/Reversals of Impairment by Measurement Category

	1 Jan. - 31 Dec. 2015 (in € million)	1 Jan. - 31 Dec. 2014 (in € million)	Change (in %)
Available for Sale Assets			
Profit / loss from impairment of financial assets classified as AfS	– 21	– 84	– 75
Profit / loss from shares in not consilidated companies	– 7	– 3	> 100
	– 28	**– 87**	**– 68**
Loans and Receivables			
Profit / loss from impairment of financial assets classified as AfS	–	– 1	– 100
Profit / loss from impairment of advances	– 718	– 776	– 7
	– 718	**– 777**	**– 8**
Total	**– 746**	**– 864**	**– 14**

(62) Offsetting of Financial Assets and Financial Liabilities

The effects or potential effects of offsetting financial assets and liabilities are shown in the table below.

31 Dec. 2015 (in € million)	Gross amount before balancing	Amount of the financially balancing	Net amount after balancing	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	Net amount
Assets							
Offsetting of current accounts	4 336	2 748	1 588	–	–	–	1 588
Derivatives	13 740	3 835	9 905	6 208	–	939	2 758
Securities lending and repos	2 160	–	2 160	1 917	243	–	–
Liabilities							
Offsetting of current accounts	14 925	2 743	12 182	–	–	–	12 182
Derivatives	14 755	3 900	10 855	6 208	–	2 736	1 911
Securities lending and repos	9 534	–	9 534	1 917	7 597	4	16

31 Dec. 2014 (in € million)	Gross amount before balancing	Amount of the financially balancing	Net amount after balancing	Master netting arrangements and other without financially balancing: Financial instruments	Collaterals: Securities collateral	Collaterals: Cash collateral	Net amount
Assets							
Offsetting of current accounts	4 806	3 453	1 353	–	–	–	1 353
Derivatives	15 887	3 843	12 044	7 907	–	1 692	2 445
Securities lending and repos	1 613	–	1 613	713	888	–	12
Liabilities							
Offsetting of current accounts	4 942	3 453	1 489	–	–	–	1 489
Derivatives	16 624	3 731	12 893	7 907	–	4 320	666
Securities lending and repos	12 969	–	12 969	887	11 738	1	343

In the NORD/LB Group the offsetting of liabilities to an account holder that are payable on demand and are not subject to any commitments against receivables owed by the same account holder that are due on demand is reported under the offsetting of current accounts measured at amortised cost in accordance with § 10 of the German Accounting Regulation for Credit and Financial Services Institutions (Kreditinstituts-Rechnungslegungsverordnung, RechKredV). This is the case where it has been agreed for the calculation of interest and commission that the account holder is treated in the same way as if the postings are made to a single account. The offsetting is in accordance with IAS 32.42. Receivables and liabilities in different currencies are not offset.

Business with derivative financial instruments and repos and securities lending business is generally conducted on the basis of bilateral framework agreements concluded with the counterparty. These only allow the offsetting of receivables and liabilities recognised at amortised cost as well as collateral measured at fair value that has been provided and received under certain conditions, e.g. in the event of a breach of contract or in the case of insolvency. There is therefore currently no right to offset in accordance with IAS 32.42.

Selected derivative financial instruments financial instruments are entered into with central counterparties (clearing houses). For these financial instruments measured at fair value, receivables and liabilities recognised at amortised cost as well as collateral measured at fair value that has been provided and received are offset in accordance with IAS 32.42.

(63) Transfer and Derecognition of Financial Assets

The risks and opportunities relating to transferred financial assets and associated liabilities that remain in the NORD/LB Group are shown in the table below. The table also shows the degree to which transferees' rights of recourse relate only to the respective transferred assets.

31 Dec. 2015	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
(in € million)	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Financial assets at fair value through profit or loss	3	3	3	3	–
Financial assets reported at fair value	7 981	7 706	4 160	3 886	274
Total	**7 984**	**7 709**	**4 163**	**3 889**	**274**

31 Dec. 2014	Full recognition of financial assets despite transfer		The transferee's right of recourse relates only to the respective transferred assets		
(in € million)	Asset value of the assets	Asset value of the appropriate liabilities	Fair value of the assets	Fair value of the appropriate liabilities	Net position
Loans and advances to customers	1 401	–	1 401	–	1 401
Financial assets at fair value through profit or loss	111	79	111	79	32
Financial assets not reported at fair value	122	–	–	–	–
Financial assets reported at fair value	15 815	16 591	9 528	10 008	– 480
Total	**17 449**	**16 670**	**11 040**	**10 087**	**953**

Transferred financial assets within the positions Financial assets at fair value through profit or loss and Financial assets at fair value are primarily true repos and securities lending transactions. These continue to be reported on the Group balance sheet as the interest-rate, creditworthiness and other material risks and opportunities from growth in value and interest income remain within the NORD/LB Group. The collateral furnished is subject to a full transfer of rights, i.e. the assignee may act as an owner and in particular effect disposals in the form of assignments and pledges. In the case of securities collateral, securities of the same type and value must be to be returned or supplied. A return of the issued collateral in the form of liquid funds is not permissible without the assignor's consent in the case of securities collateral.

(64) Derivative Financial Instruments

The NORD/LB Group employs derivative financial instruments for securing purposes in asset / liability management. Trading is also conducted in derivative financial transactions.

Nominal values constitute the gross volume of all purchases and sales. This item is a reference figure for calculating reciprocally agreed equalisation payments; it does not, however, refer to receivables and liabilities which may be recognised in the balance sheet. Unlike their presentation in the balance sheet, the market values are stated prior to offsetting in the balance sheet in accordance with IAS 32.42.

The portfolio of derivative financial instruments comprises the following:

	Nominal values		Fair value positive		Fair value negative	
	31.12. 2015	31.12. 2014	31.12. 2015	31.12. 2014	31.12. 2015	31.12. 2014
Interest-rate risk						
Interest rate swaps	262 327	236 597	12 441	14 295	10 743	12 107
FRAs	4 850	2 000	1	–	–	–
Interest options						
Call	3 566	3 600	700	798	2	4
Put	7 421	7 668	28	20	1 631	2 011
Caps, floors	5 991	6 664	71	89	47	55
Stock exchange contracts	677	1 752	–	–	–	2
Other forward interest rate transactions	2 261	1 316	90	70	167	243
	287 093	**259 597**	**13 331**	**15 272**	**12 590**	**14 422**
Currency risk						
Forward exchange contracts	22 624	25 580	240	465	223	480
Currency swaps and interest rate / currency swaps	27 349	29 056	373	283	1 946	1 718
Currency options						
Call	245	170	9	4	2	1
Put	251	190	2	1	9	4
	50 469	**54 996**	**624**	**753**	**2 180**	**2 203**
Share price and other price risks						
Share price and other price risks	121	270	6	180	5	1
Stock options						
Call	31	28	4	1	–	–
Stock exchange contracts	48	34	–	–	3	1
	200	**332**	**10**	**181**	**8**	**2**
Credit risk						
Assignor	192	218	1	1	–	1
Assignee	2 702	3 346	23	17	11	25
	2 894	**3 564**	**24**	**18**	**11**	**26**
Total	**340 656**	**318 489**	**13 989**	**16 224**	**14 789**	**16 653**

The residual terms to maturity of the derivative financial instruments are shown below.

Nominal values	Interest-rate risk		Currency risk		Share price and other price risk		Credit risk	
(in € million)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Up to 3 months	17 836	18 852	16 897	21 899	69	41	59	445
More than 3 months up to 1 year	32 799	29 580	10 274	8 632	74	201	332	705
More than 1 year up to 5 years	101 404	97 987	13 485	14 250	53	82	2 502	2 083
More than 5 years	135 054	113 178	9 813	10 215	4	8	1	331
Total	**287 093**	**259 597**	**50 469**	**54 996**	**200**	**332**	**2 894**	**3 564**

The residual term is defined as the period between the balance sheet date and the contractual due date.

The table below shows the nominal values and a breakdown of the positive and negative gross fair values of derivative transactions by counterparty.

	Nominal values		Fair value positive		Fair value negative	
(in € million)	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Banks in the OECD	159 369	178 057	7 042	8 826	9 717	11 490
Banks outside the OECD	605	666	3	12	4	3
Public institutions in the OECD	6 030	6 075	435	512	167	187
Other counterparties (including stock exchange contracts)	174 652	133 691	6 509	6 874	4 901	4 973
Total	**340 656**	**318 489**	**13 989**	**16 224**	**14 789**	**16 653**

(65) Concessions due to Financial Difficulties

Financial assets may be restructured or their contractual conditions modified for a range of reasons, including change of market conditions, customer loyalty and other factors.

The NORD/LB Group also restructures and modifies the contractual conditions of financial assets in order to enable debtors to continue to perform capital service in full or in part, despite current or anticipated financial difficulties. These concessions are entered into if it can be assumed that the debtor can meet the modified terms as contractually agreed.

In the case of concessions, the NORD/LB Group agrees more favourable contractual terms for the debtor that it would not have granted to comparable customers.

The amendment of contractual terms includes term extensions, changes to the payment dates for interest and redemption and amendments to the covenant.

31 Dec. 2015	Gross carrying amount of exposures with forbearance measures		Accumulated impairment	
(in € million)	Performing Exposure with forbearance measuries	Non-Performing Exposure with forbearance measuries	Performing Exposure with forbearance measuries	Non-Performing Exposure with forbearance measuries
Loans and advances	**3 535**	**7 281**	**29**	**2 396**
Other financial companies	5	149	–	99
Non-financing institutes	3 481	7 114	29	2 288
Budgets	49	18	–	9
Debt instruments at amortised cost	**3 535**	**7 281**	**29**	**2 396**
Debt instruments other than held for trading	**3 535**	**7 281**	**29**	**2 396**
Loan commitments given	48	32	1	–

(66) Disclosures concerning Selected Countries

The table below shows, in contrast to the exposure in the risk report (see Management Report), the reported values of transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related public-sector companies.

(in € million)	Financial instruments held for trading		Financial instru ments designated at fair value		Available for sale assets	
	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Ireland						
Country	9	– 1	–	–	22	22
Financing institutes / insurance companies	13	4	–	–	24	169
Companies / other	37	42	–	–	–	–
	59	**45**	**–**	**–**	**46**	**191**
Italy						
Country	–	26	84	269	1 071	1 455
Financing institutes / insurance companies	1	14	–	–	124	439
Companies / other	4	4	–	–	90	82
	5	**44**	**84**	**269**	**1 285**	**1 976**
Portugal						
Country	– 2	– 6	–	–	51	157
Financing institutes / insurance companies	– 1	– 3	–	–	1	–
Companies / other	–	–	–	–	–	21
	– 3	**– 9**	**–**	**–**	**52**	**178**
Slowenia						
Country	4	–	–	–	–	31
	4	**–**	**–**	**–**	**–**	**31**
Spain						
Country	1	40	–	–	138	215
Financing institutes / insurance companies	17	72	–	–	1 239	1 528
Companies / other	9	11	–	–	28	14
	27	**123**	**–**	**–**	**1 405**	**1 757**
Hungary						
Country	–	–	–	–	113	165
	–	**–**	**–**	**–**	**113**	**165**
Cyprus						
Companies / other	1	14	–	–	–	–
	1	**14**	**–**	**–**	**–**	**–**
Total	**93**	**217**	**84**	**269**	**2 901**	**4 298**

For financial instruments categorised as available for sale with acquisition costs totalling € 2.582 billion (€ 3.914 billion), the cumulative valuation result of the selected countries reported in equity totals € 118 million (€ 294 million). In addition to this, depreciation of € 1 million (€ 0 million) was recognised in the income statement for the period.

(in € million)	Loans and Receivables: Gross book value 31 Dec. 2015	Gross book value 31 Dec. 2014	Specific valuation allowances 31 Dec. 2015	Specific valuation allowances 31 Dec. 2014	General loan loss provisions 31 Dec. 2015	General loan loss provisions 31 Dec. 2014	Fair value 31 Dec. 2015	Fair value 31 Dec. 2014
Greece								
Companies / other	21	214	–	51	– 1	1	19	181
	21	**214**	**–**	**51**	**– 1**	**1**	**19**	**181**
Ireland								
Financing institutes / insurance companies	193	233	–	–	–	–	198	238
Companies / other	2 332	2 217	–	–	– 2	3	2 148	2 260
	2 525	**2 450**	**–**	**–**	**– 2**	**3**	**2 346**	**2 498**
Italy								
Financing institutes / insurance companies	83	84	–	–	–	–	69	68
Companies / other	213	47	–	–	–	–	216	49
	296	**131**	**–**	**–**	**–**	**–**	**285**	**117**
Portugal								
Financing institutes / insurance companies	–	8	–	–	–	1	–	8
Companies / other	25	30	–	–	–	–	25	30
	25	**38**	**–**	**–**	**–**	**1**	**25**	**38**
Russia								
Financing institutes / insurance companies	148	158	–	–	–	–	148	157
Companies / other	43	48	–	5	–	–	41	48
	191	**206**	**–**	**5**	**–**	**–**	**189**	**205**

(in € million)	Loans and Receivables: Gross book value 31 Dec. 2015	Gross book value 31 Dec. 2014	Specific valuation allowances 31 Dec. 2015	Specific valuation allowances 31 Dec. 2014	General loan loss provisions 31 Dec. 2015	General loan loss provisions 31 Dec. 2014	Fair value 31 Dec. 2015	Fair value 31 Dec. 2014
Spain								
Country	52	52	– 4	–	–	–	54	54
Financing institutes / insurance companies	84	98	–	5	–	–	84	99
Companies / other	249	301	24	38	–	–	254	339
	385	**451**	**20**	**43**	**–**	**–**	**392**	**492**
Hungary								
Financing institutes / insurance companies	1	1	–	–	–	–	1	1
Companies / other	33	38	–	–	–	–	32	38
	34	**39**	**–**	**–**	**–**	**–**	**33**	**39**
Cyprus								
Companies / other	1 072	1 216	– 49	51	6	29	779	935
	1 072	**1 216**	**– 49**	**51**	**6**	**29**	**779**	**935**
Total	**4 549**	**4 745**	**– 29**	**150**	**3**	**34**	**4 068**	**4 505**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 567 million (€ 709 million). Of this, states account for € 378 million (€ 423 million), financing institutions/insurance companies for € 125 million (€ 260 million) and companies/others for € 64 million (€ 26 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € -4 million (€ -11 million).

(67) Underlying Transactions in Effective Hedges

Financial assets and liabilities which as underlying transactions are part of a hedge in accordance with IAS 39 continue to be reported together with unsecured transactions in the respective balance sheet items since the hedging transaction has no effect on the type of underlying transaction and its function. The balance sheet item for financial instruments (LaR and OL categories), otherwise reported at amortised cost, is adjusted by the change in fair value results in the hedged risk (in the fair value hedge portfolio by reporting the item in a separate balance sheet item). Financial instruments in the AfS category continue to be reported at their full fair value.

The financial assets and liabilities which are hedged underlying transactions in an effective micro fair hedge are shown below for information purposes:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Loans and advances to banks	755	850	– 11
Loans and advances to customers	7 849	7 700	2
Financial assets	8 473	10 337	– 18
Total	**17 077**	**18 887**	**– 10**
Liabilities			
Liabilities to banks	642	891	– 28
Liabilties to customers	6 935	8 363	– 17
Securitsed liabilities	9 504	9 660	– 2
Subordinated capital	153	312	– 51
Total	**17 234**	**19 226**	**– 10**

The financial assets and liabilities which are hedged underlying transactions in an effective portfolio fair value hedge are shown below for information purposes:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Loans and advances to customers	15 612	14 734	6
Financial assets	1 299	816	59
Total	**16 911**	**15 550**	**9**
Liabilities			
Securitsed liabilities	25 201	21 175	19
Total	**25 201**	**21 175**	**19**

(68) Residual Terms of Financial Liabilities

31 Dec. 2015 (in € million)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Liabilities to banks	13 076	6 893	8 195	11 126	10 970	50 260
Liabilties to customers	23 458	5 667	8 764	9 824	17 013	64 726
Securitsed liabilities	1 928	945	6 391	25 123	5 971	40 358
Financial liabilities at fair value through profit or loss (no derivatives)	235	141	824	1 949	8 693	11 842
Negative fair values from derivatives held for trading	235	284	1 328	3 918	4 654	10 419
Negative fair values from hedge accounting derivatives	95	99	518	1 685	1 526	3 923
Liabilities held for sale (financial assets only)	5	–	3	–	–	8
Other liabilities (financial assets only)	–	1	–	–	–	1
Subordinated capital	2	4	806	1 780	2 731	5 323
Financial guarantees	5 333	38	8	573	246	6 198
Irrevocable credit commitments	5 489	37	314	2 835	734	9 409
Total	**49 856**	**14 109**	**27 151**	**58 813**	**52 538**	**202 467**

31 Dec. 2014 (in € million)	Up to 1 month	More than 1 month up to 3 months	More than 3 months up to 1 year	More than 1 year up to 5 years	More than 5 years	Total
Liabilities to banks	21 822	8 758	7 784	10 583	11 055	60 002
Liabilties to customers	23 057	3 940	7 147	10 601	17 577	62 322
Securitsed liabilities	2 072	2 035	12 472	23 187	6 103	45 869
Financial liabilities at fair value through profit or loss (no derivatives)	184	211	1 522	1 796	9 046	12 759
Negative fair values from derivatives held for trading	355	388	1 347	4 481	5 305	11 876
Negative fair values from hedge accounting derivatives	87	126	472	1 954	2 084	4 723
Liabilities held for sale (financial assets only)	–	–	6	–	–	6
Other liabilities (financial assets only)	1	1	–	–	–	2
Subordinated capital	3	18	1 315	1 276	3 139	5 751
Financial guarantees	4 417	33	100	646	1 103	6 299
Irrevocable credit commitments	6 069	61	147	2 581	480	9 338
Total	**58 067**	**15 571**	**32 312**	**57 105**	**55 892**	**218 947**

The residual term for undiscounted financial liabilities is defined as the period between the balance sheet date and the contractual due date.

(69) The NORD/LB Group as Assignor and Assignee

The following financial assets have been pledged as collateral for liabilities (carrying amounts):

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances to banks	13 833	15 894	– 13
Loans and advances to customers	34 321	37 040	– 7
Financial assets at fair value through profit or loss	364	830	– 56
Financial assets	12 402	21 215	– 42
Total	**60 920**	**74 979**	**– 19**

Collateral has been provided for borrowing undertaken within the scope of genuine repos. Additionally, collateral such as the cover assets in the cover pool of the Pfandbrief banks of the NORD/LB Group and the loans underlying securitisation transactions was provided for refinancing funds for specific purposes. Also, collateral for securities lending transactions as well as for transactions with clearing brokers and at stock exchanges was furnished.

Financial assets deposited as collateral for which the assignee has the contractual or customary right to sell or re-pledge the collateral amount to € 7.016 billion (€ 6.118 billion). This is primarily cash collateral and/or securities collateral.

For the following liabilities, assets were assigned as collateral in the amounts shown:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Liabilities to banks	10 117	19 869	– 49
Liabilties to customers	7 939	9 209	– 14
Securitsed liabilities	18 886	19 237	– 2
Financial liabilities at fair value through profit or loss	13 578	15 041	– 10
Negative fair values from hedge accounting derivatives	563	–	
Total	**51 083**	**63 356**	**– 19**

For collateral received in particular for repo and securities lending transactions which may be re-pledged or re-sold even if the assignor does not default, the fair value is € 2.100 billion (€ 1.685 billion).

Collateral which may be re-pledged or re-sold even if the assignor does not default was realised. The repayment obligation at current market value is € 1.282 billion (€ 948 million).

Repo and securities lending transactions are monitored daily from the perspective of the collateralisation via a valuation of the transactions. If a negative balance arises, the assignee may demand that the assignor furnishes additional collateral to increase the coverage if a specific threshold defined in the contract is exceeded. If the assignor has furnished collateral and if the market situation changes such that over-collateralisation arises, it is entitled to request that the assignee provides a release of collateral if a specific threshold defined in the contract is exceeded. The collateral furnished is subject to a full transfer of rights, i.e. the assignee may act as an owner and in particular effect disposals in the form of assignments and pledges. In the case of securities collateral, securities of the same type and value must be to be returned or supplied. A return of the issued collateral in the form of liquid funds is not permissible without the assignor's consent in the case of securities collateral.

Other Notes

(70) Equity Management

Equity is managed for the NORD/LB Group in the parent company NORD/LB. The aim is to secure an adequate supply of capital resources in terms of quantity and quality, to achieve an adequate return on equity and to permanently comply with regulatory minimum capital ratios at Group level in each case. In the reporting period key capital figures for equity management were the "long-term equity under commercial law" derived from the reported equity as a factor for measuring the return on equity, the regulatory Common Equity Tier 1 in accordance with EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) valid since the start of 2014 including the transitional arrangements until the end of 2017 provided therein, the arithmetic Common Equity Tier 1 in accordance with CRR without taking account of the transitional arrangements, the regulatory Tier 1 capital in accordance with CRR and the eligible regulatory capital under CRR.

Statutory minimum capital ratios apply to the regulatory capital figures under which the numerator represents the respective capital figure and the denominator consists of the respective total risk exposure from art. 92 para. 3 CRR. Under CRR these minimum capital ratios were 4.5 per cent for the regulatory Common Equity Tier 1 ratio, 6.0 per cent for the regulatory Tier 1 capital ratio and 8.0 per cent for the total capital ratio in 2015. From 2016, in addition to the minimum capital ratios, the capital-maintenance buffer and where applicable other capital buffers, which will gradually increase to 2019, will have to be maintained.

In addition to the statutory minimum capital ratios, 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 ratio for Common Equity Tier 1 capital was 9.25 per cent at the start of 2016 and will rise by the end of 2016 to 9.75 per cent. It includes the capital-maintenance buffer that has been required by law since the start of 2016.

Alongside these regulatory stipulations, internal target equity ratios have been specified internally at Group level for some of the above capital figures that are in part higher. For example, at Group level the target corridor for the Common Equity Tier 1 ratio including transitional provisions was 10.0 to 10.5 per cent to the end of 2015. From the start of 2016 this target ratio rose to 11.5 per cent.

In the year under review 2015, the core task of capital management lay both in further optimising the capital structure and also in the ongoing control of capital in order to achieve the internal target equity ratios and to permanently comply with the regulatory minimum capital ratios required by law or specified individually by the Banking Supervision.

In future the capital management requirements will increase further, driven both by the provisions of the CRR, by individual minimum capital requirements specified by the Banking Supervision and by special regulatory requirements (e.g. stress tests). The most important capital figure, in terms of both regulatory laws and control within the Group, will be the Common Equity Tier 1 as defined by the CRR. In order to strengthen this, the capital structure of the Group will continue to be optimised. In addition to this, within the scope of capital management, targets and forecasts are prepared for the relevant capital figures and the related capital ratios as required. Their actual and planned development is reported to management, the supervisory bodies, the owners of the bank and/or the Banking Supervision. If these calculations indicate any risk for the defined target capital ratios either adjustment measures are taken in terms of the total risk exposure or, with the agreement of the owners of the bank, procurement or optimisation measures will be taken for individual capital figures.

In 2014 and 2015 NORD/LB met the regulatory minimum capital ratios at Group and individual institute level and the individual minimum capital ratio specified by the ECB at all times. Reported under Note (71) Regulatory data are the regulatory Common Equity Tier 1 ratio, the regulatory Tier 1 capital ratio and the regulatory capital ratio at the end of the respective year in the logic of the CRR taking into account the transitional provisions.

(71) Regulatory Data

The consolidated regulatory capital below was calculated as at the reporting date in accordance with the provisions of the EU Regulation No. 575/2013 on prudential requirements for banks and investment firms (CRR) applicable from 1 January 2014.

(in € million)	31 Dec. 2015	31 Dec. 2014
Total risk expusure amount	**63 675**	**69 231**
Capital requirements for credit risk	4 352	4 837
Capital requirements for operational risks	419	382
Capital requirements for market risks	251	220
Capital requirements for loan amount adjustments	73	99
Capital requirements	**5 095**	**5 538**

The following schedule shows the composition of regulatory equity for the group of institutes in accordance with art. 25 ff. of the CRR:

(in € million)	31 Dec. 2015	31 Dec. 2014
Paid-up capital including premium	4 930	4 960
Reserves	2 908	2 187
Eligible components of CET 1 capital at subsidiaries	837	786
Regulatory adjustments	36	85
– Deductible items (from Tier 2 capital)	– 964	– 2 199
Adjustments due to transition rules	573	1 710
Balancing item to prevent negative AT 1 capital	–	– 148
Common Equity Tier 1 capital	**8 320**	**7 381**
Grandfathered AT1 instruments	451	709
Adjustments due to transition rules	– 331	– 857
Balancing item to prevent negative AT 1 capital	–	148
Additional tier 1 capital	120	–
Tier 1 capital	**8 440**	**7 381**
Paid-up instruments of Tier 2 capital	2 616	2 788
Eligible components of Tier 2 capital at subsidiaries	270	387
– Deductible items (from Tier 2 capital)	– 25	– 1
Adjustments due to transition rules	– 654	– 1 432
Tier 2 capital	**2 207**	**1 742**
Own funds	**10 647**	**9 123**

(in %)	31 Dec. 2015	31 Dec. 2014
Common equity tier 1 capital ratio	13.07%	10.66%
Tier 1 capital ratio	13.25%	10.66%
Total capital ratio	16.72%	13.18%

(72) Foreign Currency Volume

At 31 December 2015 and 31 December 2014 the NORD/LB Group had the following assets and liabilities in foreign currency:

(in € million)	USD	GBP	JPY	Other	Total 31 Dec. 2015	Total 31 Dec. 2014
Assets						
Loans and advances to banks	479	98	15	161	753	2 025
Loans and advances to customers	26 029	4 470	78	1 766	32 343	29 751
Risk provisioning	– 1 434	–	–	– 6	– 1 440	– 1 000
Financial assets at fair value through profit or loss	11 937	2 071	567	2 438	17 013	18 515
Financial assets	3 491	568	354	767	5 180	5 248
Other	119	45	38	50	252	412
Total	**40 621**	**7 252**	**1 052**	**5 176**	**54 101**	**54 951**
Liabilities						
Liabilities to banks	6 754	938	20	201	7 913	8 775
Liabilties to customers	3 458	315	4	446	4 223	2 818
Securitsed liabilities	2 685	93	506	898	4 182	5 815
Financial liabilities at fair value through profit or loss	26 697	4 135	599	3 160	34 591	34 258
Other	1 966	156	31	94	2 247	2 017
Total	**41 560**	**5 637**	**1 160**	**4 799**	**53 156**	**53 683**

Existing exchange rate risks are eliminated by concluding transactions with matching maturities.

(73) Longer-term Assets and Liabilities

For balance sheet items which include both current and longer-term assets and liabilities, the assets and liabilities which are to be realised or settled after more than twelve months are shown below.

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Assets			
Loans and advances to banks	11 896	12 174	– 2
Loans and advances to customers	84 584	85 184	– 1
Balancing items for financial instruments hedged in the fair value hedge portfolio	–	54	– 100
Assets held for trading	12 962	15 574	– 17
Loans and advances to customers reported	196	202	– 3
Financial assets reported at fair value	384	586	– 34
Positive fair values from hedge accounting	3 661	4 492	– 18
Financial assets classified as LaR	3 194	2 977	7
Financial assets classified as AfS	24 174	28 278	– 15
Other assets	23	34	– 32
Total	**141 074**	**149 555**	**– 6**
Liabilities			
Liabilities to banks	20 915	20 334	3
Liabilities to customers	23 953	25 634	– 7
Securitised liabilities	29 982	27 446	9
Balancing items for financial instruments hedged in the fair value hedge portfolio	–	868	– 100
Liabilities held for trading	9 118	9 809	– 7
Liabilities to banks reported at fair value	424	430	– 1
Liabilities to customers reported at fair value	5 529	5 561	– 1
Securitised liabilities reported at fair value	1 942	1 804	8
Negative fair values from hedge accounting derivatives	3 665	4 941	– 26
Provisions	71	77	– 8
Subordinated capital	3 203	3 180	1
Total	**98 802**	**100 084**	**– 1**

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(74) Lease Agreements

The NORD/LB Group is the lessee in operating lease agreements.

A service contract for IT infrastructure services exists which includes an operating lease agreement. The framework contract, which runs to 30 June 2020, may be terminated extraordinarily from 2016 with effect of 30 June of any year and with a notice period of one year against payment of a staggered sales-related termination payment; it may also be terminated if there is a compelling reason.

Price adjustments are possible due to higher or lower volumes and from October 2015 on an annual basis depending on the performance of a reference index. The contract does not include an option to extend or purchase or restrictions in the sense of IAS 17.35d(iii).

Further, there is a lease for a building in the scope of the operating lease agreement with a term of 14 years. The lease may be extended up to two times by a further two or five years. Rent adjustments are possible from the fourth year and are based on the consumer price index for Germany produced by the German Federal Statistical Office.

The Group's future minimum leasing lease payments from operating lease agreements are as follows:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Future minimum leasing lease payments up to 1 year	6	7	– 14
Future minimum leasing lease payments more than 1 year up to 5 years	19	23	– 17
Future minimum leasing lease payments more than 5 years	18	22	– 18
Total future minimum leasing lease payments	**43**	**52**	**– 17**

In the year under review expenses relating to minimum lease payments from operating lease agreements totalled € 6 million (€ 5 million).

Earnings of € 5 million (€ 6 million) are expected from non-terminable sub-leases.

The NORD/LB Group is the lessee in a finance lease agreement. A contract concerning the lease and maintenance of standard software with an option to purchase a licence for the standard software exists. The contract, which has been concluded for an indefinite period of time, may be terminated in each case with effect of 31 December of a calendar year with a six-month period of notice, whereby the earliest the software manufacturer may terminate the contract is 31 December 2019.

No operating lease agreements have been concluded in 2015 with the NORD/LB Group as the lessee.

The NORD/LB Group is the lessor in finance lease agreements.

NORD/LB has bought water pipelines that are let under a finance lease agreement. The debtor is subject to an obligation to pay an annual rent. The variable interest rate is adjusted on the basis of the current LIBOR rate. The debtor may repurchase the leased property during or at the end of the leasing period. The lease term is 30 years and ends in 2035.

Lease agreements concerning the car fleet were also expanded.

The table below shows the transition of the present value of outstanding minimum lease payments to gross and net investments in the Group's finance lease agreements:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Veränderung (in %)
Present value of outstanding minimum lease payments up to 1 year	7	7	–
Present value of outstanding minimum lease payments more than 1 year up to 5 years	26	16	63
Present value of outstanding minimum lease payments more than 5 years	22	21	5
Total present value of outstanding minimum lease payments	**55**	**44**	**25**
Plus interest	22	22	–
Total minimum lease payments	**77**	**66**	**17**
Total minimum lease payments	**77**	**66**	**17**
Of which: up to 1 year	8	7	14
Of which: 1 year to 5 years	28	17	65
Of which: more than 5 years	42	41	2
Less financial income not yet realised	1	1	–
Net investment	**76**	**65**	**17**

The minimum lease payments guarantee residual values of € 7 million (€ 3 million).

(75) Contingent Liabilities and Other Obligations

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	4 271	5 315	– 20
	4 271	**5 315**	**– 20**
Other obligations			
Irrevocable credit commitments	9 409	9 337	1
Total	**13 680**	**14 652**	**– 7**

Liabilities from guarantees and other indemnity agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and indemnity agreements.

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

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

Information on uncertainty concerning the amount or the timing of outflows of capital and on possible equalisation payments is not given for reasons of practicality.

(76) Other Financial Obligations

The Group 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.

NORD/LB, together with Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG, also acts as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

In connection with the acquisition of Deutsche Hypothekenbank (Actien-Gesellschaft), the Group has an obligation to reimburse Deutscher Sparkassen- and 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 Hypothekenbank (Actien-Gesellschaft) in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V. and Deutsche Hypothekenbank (Actien-Gesellschaft) on 19 December 2008.

There was also an obligation to release Bundesverband deutscher Banken e.V. (Association of German Banks) from all losses which were a result of measures in accordance with § 2 para. 2 of the Statute of the Deposit Protection Fund (Statut des Einlagensicherungsfonds) for the Deutsche Hypothekenbank (Actien-Gesellschaft). The participation of Deutsche Hypothekenbank (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 (Statut des Einlagensicherungsfonds), NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekenbank (Actien-Gesellschaft).

Due to its investment in Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig, NORD/LB is liable to the effect that the limited partners have released the general partner from liability.

In a joint participating 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 the Group assumes 50 per cent of obligations that may result from this declaration of liability.

With regard to the inclusion of the shares in FinanzIT GmbH, Frankfurt am Main, 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.

An obligation towards two companies (two companies) involves the granting of a shareholder loan to the amount of € 2 million (€ 3 million).

The Group is also obliged to make additional contributions up to an amount of € 70 million (€ 120 million) to the security reserve for landesbanks and giro centres. In the event of a need for support these subsequent contributions could be collected immediately.

Other obligations to make additional contributions amount to € 0 million (€ 34 million) in addition to further joint liabilities for other shareholders towards Liquiditäts-Konsortialbank GmbH.

The personally liable partners of a real estate investment fund have been released from their statutory liability.

Call-in obligations for shares and other interests amounted to € 23 million at year-end (€ 22 million).

In connection with the measures to boost the amount of NORD/LB’s regulatory capital by converting silent participations into share capital and reserves, NORD/LB has made a commitment to the other owners of Bremer Landesbank that in the event of a further retention of profits and until a distribution takes place, to finance it in advance with the funds it requires at terms that are still to be negotiated.

The Group has, in order to ease the pressure on regulatory equity, transferred part of the credit risk of a precisely defined loan portfolio with a finance guarantee (“Northvest”) to an external third party. The finance guarantee resulted in 2015 in a financial burden with charges in the amount of € 53 million (€ 40 million). In the next few years the fees will fall steadily until the guarantee ends.

In the year under review Bremer Landesbank structured a securitisation for a loan portfolio from the asset classes renewable energies, corporate customers, community interest properties, commercial properties and ships. In order to hedge the credit risks that this entailed, a guarantee was concluded with a private guarantor with effect of the 16 December 2015. The term of the guarantee is for 12 years. The first loss tranche held by Bremer Landesbank totals € 10 million; to date it has not been utilised.

In 2015, there were no expenses rating to this garantee. For 2016, expenses are expected in the amount of € 8 million.

A framework contract has been concluded with Wincor Nixdorf International GmbH, Paderborn, to regulate collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, commences with effect of 1 July 2013 and will run to 30 June 2020. The annual costs are volume-dependent; the value of the contract over the entire term is approx. € 78 million.

In accordance with the Restructuring Fund Regulation (Restrukturierungsfonds-Verordnung, RstruktFV), the Group 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 security reserve for landesbanks, which is part of the security system of the S Finance Group, and due to the European bank levy, 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 NORD/LB's financial position.

For the reporting year an annual contribution of € 25 million will be due for the security reserve, which will be reported under other administrative expenses.

(77) Subordinated Assets

Assets are considered to be subordinated if they are only met after the claims of other creditors in the event f the liquidation or the insolvency of a debtor. The following subordinated assets are included in balance sheet assets:

	31 Dec. 2015 (in € million)	31 Dec. 2014 (in € million)	Change (in %)
Loans and advances to banks and customers	35	63	– 44
Financial assets at fair value through profit or loss	17	32	– 47
Financial assets	934	634	47
Total	**986**	**729**	**35**

(78) Trust Activities

In compliance with IFRS regulations, trust activities are not shown in the consolidated balance sheet of the NORD/LB Group; however, they are present in the Group. The Group's Trust activities are broken down as follows:

	31.12.2015 (in € million)	31.12.2014 (in € million)	Change (in %)
Assets held in trust			
Loans and advances to customers	48	57	– 16
Other assets held in trust	119	46	> 100
Total	**167**	**103**	**62**
Liabilities held in trust			
Liabilities to banks	34	40	– 15
Liabilities to customers	14	17	– 18
Other liabilities held in trust	119	46	> 100
Total	**167**	**103**	**62**

Related Parties

(79) Number of Employees

The average number of employees in the NORD/LB Group for the period under review is shown as follows:

	Male 1 Jan. - 31 Dec. 2015	Male 1 Jan. - 31 Dec. 2014	Female 1 Jan. - 31 Dec. 2015	Female 1 Jan. - 31 Dec. 2014	Total 1 Jan. - 31 Dec. 2015	Total 1 Jan. - 31 Dec. 2014
NORD/LB	2 005	2 069	2 065	2 152	4 070	4 221
Teilkonzern Bremer Landesbank	559	579	535	574	1 094	1 153
Teilkonzern NORD/LB Luxemburg	122	138	60	64	182	202
Deutsche Hypothekenbank	221	223	169	165	390	388
Other	123	102	164	160	287	262
Group	**3 030**	**3 111**	**2 993**	**3 115**	**6 023**	**6 226**

(80) Disclosures concerning Shares in Companies

Consolidated subsidiaries

Of 42 (50) subsidiaries included in the consolidated financial statements, 25 (25) are structured companies. Non-controlling interests in 1 (1) subsidiary were of significant importance for the NORD/LB Group as at 31 December 2015 and 31 December 2014 due to their share in the consolidated equity or consolidated profit and can be seen in the following table.

Registered office and name	Shareholding in non-controlling interest (in %) 31 Dec. 2015	Shareholding in non-controlling interest (in %) 31 Dec. 2014	Voting rights in non-controlling interest (in %) 31 Dec. 2015	Voting rights in non-controlling interest (in %) 31 Dec. 2014
Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale - ; Bremen	45.17	45.17	45.17	45.17

For Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen (Bremer Landesbank), the following financial information is provided on the basis of the contributions of the IFRS sub-group accounts applying uniform accounting and valuation methods, but prior to internal eliminations.

(in € million)	Bremer Landesbank Kreditanstalt Oldenburg -Girozentrale- 31 Dec. 2015	31 Dec. 2014
Interest income	1 248	1 425
Interest expenses	835	988
Commission income	50	50
Commission expenses	9	7
Trading profit / loss	31	– 14
Other income / expenses	– 480	– 435
Earnings after taxes	**5**	**31**
of which: Income attributable to non-controlling interests	2	14
Comprehensive income	**63**	**– 57**
Loans and advances to banks	3 480	3 637
Loans and advances to customers	22 781	22 933
Other assets	3 710	5 570
Liabilities to banks	10 603	11 186
Liabilities to customers	9 892	9 027
Other liabilities	7 721	10 235
Net assets	**1 755**	**1 692**
of which: Net assets attributable to non-controlling interests	793	764
Cash flow from operating activities	– 1 379	– 475
Cash flow from investment activities	1 260	641
Cash flow from financing activities	– 19	– 20
Change in cash and cash equivalents	**– 138**	**146**

No dividend was paid to non-controlling interests in either 2014 or 2015.
Statutory, contractual or regulatory restrictions as well as protective rights of non-controlling interests may limit the ability of the NORD/LB Group to gain access to the Group's assets or transfer these between companies unimpeded and settle the Group's obligations. In the NORD/LB Group there are also restrictions in collateral provided concerning plan assets in accordance with IAS 19 and the minimum liquidity reserve. With regard to the restrictions relating to collateral provided, please refer to Note (69) NORD/LB Group as assignor and assignee.

The disclosures concerning collateral provided also relate to the cover assets of the Pfandbrief banks of the NORD/LB Group contained in the cover pool as well as loans pooled due to securitisation transactions.

Restrictions in plan assets can be found in Note (52) Provisions.
On the reporting date substantial stakes attributable to non-controlling interests existed at the subsidiary Bremer Landesbank. Restrictions due

to protective interests of these shareholders existed to the extent that, alongside the articles of association, a state treaty governs the extent to which changes to the ownership and interests held are subject to additional rules. Desired changes require qualified majorities or the approval of all other owners.

As set out at Note (3) Consolidation principles, structured companies are consolidated if the relationship between the Group and the structured companies shows that the latter are controlled by the Group.

As at the reporting date, 1 (1) structured company, Conduit Hannover Funding Company LLC (Hannover Funding), was consolidated. The Group is contractually obliged to provide financial assistance to the company. The company Hannover Funding buys claims from corporate customers and finances these transactions by issuing commercial papers. NORD/LB grants the company a liquidity facility to the extent that, in the event of finance and liquidity bottlenecks, Hannover Funding may have recourse to NORD/LB. This arrangement is governed by the Liquidity Asset Purchase Agreement (LAPA). Contractual arrangements mean that NORD/LB has no access to the assets and liabilities of Hannover Funding.

Affiliated companies and joint ventures

Of the 12 (12) affiliated companies and 2 (2) joint ventures included in the consolidated financial statements, 1 (1) affiliated company is of material importance to the Group due to the proportional income and the proportional comprehensive income of the affiliated company.

As at the reporting date NORD/LB held shares in the following affiliated companies:

Registered office and name	Nature of the relationship	Shareholding (in %)		Voting rights (in %)	
		31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
LBS Norddeutsche Landesbausparkasse Berlin-Hannover; Hannover	Bausparkasse mit strategischer Bedeutung	44.00	44.00	44.00	44.00

The table below presents the financial information from the IFRS statements of the significant affiliated companies following continual amendments using the equity method in accordance with IAS 28.32-35.

(in € million)	LBS 31 Dec. 2015	 31 Dec. 2014
Interest income	251	271
Interest expenses	116	131
Commission income	45	44
Commission expenses	61	63
Trading profit / loss	– 2	– 1
Other income / expenses	– 31	– 86
Profit / loss from continuing operations	**34**	**34**
Other comprehensive income	– 61	102
Comprehensive income	**– 27**	**136**
Short-term assets	856	1 043
Long-term assets	7 160	7 407
Short-term liabilities	856	1 039
Long-term liabilities	6 536	6 761
Net assets	**624**	**650**
Of which: NORD/LB Group’s share	274	286
Accumulated unscheduled write-downs to the investment book value	206	180
Carrying amount of NORD/LB Group’s share	**68**	**106**

No dividends were taken from LBS in 2014 nor in 2015. Summarised financial information on the non-material affiliated companies when considered individually can be found in the following table:

(in € million)	31 Dec. 2015	31 Dec. 2014
Carrying amount of the shares of non-significant associated companies	180	210
NORD/LB Group’s share in		
Profit/loss from continuing operations	18	20
Other income	–	– 1
Comprehensive income	**18**	**19**

Summarised financial information on the non-material joint ventures when considered individually can be found in the following table:

(in € million)	31 Dec. 2015	31 Dec. 2014
Carrying amount of the shares of non-significant joint ventures	42	2
NORD/LB Group’s share in		
Profit / loss from continuing operations	1	1
Comprehensive income	**1**	**1**

There were contingent liabilities to affiliated companies of € 56 million (€ 4 million) on the reporting date

Non-consolidated structured companies

The NORD/LB Group is involved in structured companies that are not included as subsidiaries in the consolidated financial statements.

Structured companies are companies that are designed in such a way that voting or comparable rights are not the dominant factor in the assessment of who controls these companies. This would be the case e.g. if voting rates only apply to administrative tasks and relevant activities are managed by contractual agreements.

In the NORD/LB Group, structured companies exist in the form of securitisation companies, investment companies, Leasing companies and other loan-financed real estate and project companies.

The subject matter of this disclosure are structured companies that the Group does not consolidate because it does not control them via voting rights, contractual rights, finance agreements or other means.

Securitisation companies

Securitisation companies invest finance in diversified pools of assets. These include fixed-interest securities, company loans and commercial and private real estate loans and credit card receivables. The securitisation vehicles finance these purchases through the issue of various tranches of debt and equity securities, the repayment of which is coupled to the performance of the assets of the vehicles. The Group can assign assets synthetically or actually to securitisation companies and provide these with liquid funds in the form of finance.

Investment companies

The NORD/LB Group invests in funds that are sponsored by third parties. A Group company can also perform the function of a fund manager, a capital management company or another function. The financing of the fund is usually collateralised via the assets underlying the fund. A Group company can also provide start-up finance in the form of seed money.

Leasing companies

The NORD/LB Group acts as lender to companies that are founded exclusively for the purpose of acquiring or developing different commercial properties, usually by renowned leasing companies. The finance is collateralised by the financed real estate. The leasing companies are typically managed under the corporate form of a GmbH & Co. KG. Under the contractual arrangements, these are usually managed by the respective lessee. The financing of leasing companies also takes place in the area of project finance and aircraft commitments.

Property and project finance

The company provides funding for structured companies that usually each hold one asset such as a property or an aircraft. These structured companies usually operate as partnerships. The equity of these companies is very low compared to the third-party funding provided.

Shares in structured companies

Shares held by the Group in non-consolidated structured companies consist of contractual or non-contractual commitments in these companies via which the Group is subject to variable remuneration from the performance of the structured companies. Examples of shares in non-consolidated structured companies comprise debt or equity instruments, liquidity facilities, guarantees and various derivative instruments via which the Group absorbs risks from structured entities.

Shares in non-consolidated structured companies do not contain any instruments via which the Group solely transfers risks to the structured company. If for instance the Group buys credit default insurance from the non-consolidated structured companies that has the aim of transferring credit risks to an investor, the Group transfers this risk to the structured company and no longer bears it itself. Such credit default insurance thus does not represent a share in a structured company.

Income from shares in structured companies

The Group generates income from fund-linked asset-management services that are based on the change in value of the fund assets and are to an extent also performance related. Interest income is generated from the financing of structured companies. All earnings from the trade in derivatives with structured companies and the change in value of the securities held are recorded in the income statement under the Trading profit/loss item.

Size of structured entities

The size of a structured company is determined by the type of business activity of the structured company. It may be specified differently from company to company. The NORD/LB Group considers the following key figures to be appropriate indicators of the size of the structured companies:

- Securitisation companies: the current overall volume of the tranches issued.
- Funds: Fund assets
- (Leasing) property companies: Total assets of the (leasing) property company
- Other companies: Sum of assets

Maximum risk of loss

The maximum risk of loss is the maximum loss that the company may have to record from its involvement in non-consolidated structured companies in the income statement as well as the statement of comprehensive income. The consideration of collateral or hedging transactions is dependent on the likelihood of occurrence of a loss. The maximum possible risk of loss need therefore not correspond to the economic risk.

The maximum possible risk of loss is determined based on the type of involvement in a structured company. The maximum possible risk of loss from claims from loan transactions including debt securities exists in the carrying amount recorded on the balance sheet. The same apples to trading assets and ABS, MBS and CDO positions. The maximum possible loss of off-balance-sheet transactions, such as guarantees, liquidity facilities and loan commitments, is represented by the nominal value. The nominal value also represents the maximum possible risk of loss for derivatives.

The table below shows, by type of non-consolidated structured company, the carrying amounts of the interests that are recorded in the Group's balance sheet as well as the maximum possible loss that could result from these interests. It also provides an indication of the size of the non-consolidated structured companies. The values do not depict the Group's economic risk from these investments, as they do not take into account any collateral or hedging transactions.

31 Dec. 2015 (in € million)	Securitisation companies (lender)	Securitisation companies (lenders)	Investment companies	Leasing companies	Property and project finance	Other	Total
Size of the non-con solidated structured company	75	51 510	57 216	4 893	512	64	114 270
Loans and advances to customers	129	263	95	2 036	15	34	2 572
Risk provisioning	–	–	–	– 20	–	–	– 20
Financial assets at fair value through profit or loss	–	110	24	14	–	–	148
Financial assets	–	1 073	71	15	10	6	1 175
Other assets	–	–	17	–	–	–	17
Assets reported in the balance sheet of the NORD/LB Group	**129**	**1 446**	**207**	**2 045**	**25**	**40**	**3 892**
Liabilities to banks	–	4	426	22	3	–	455
Financial liabilities at fair value through profit or loss	–	2	11	–	–	–	13
Liabilities reported in the balance sheet of the NORD/LB Group	**–**	**6**	**437**	**22**	**3**	**–**	468
Off-balance-sheet positions	–	1	–	84	–	–	85
Maximum risk of loss[1)]	129	1 540	1 875	2 367	30	40	5 981

[1)] The maximum risk of loss includes in parts positions with nominal value instead of carry amount/fair value especially derivate and off balance positions.

31 Dec. 2014 (in € million)	Securitisation companies (lender)	Securitisation companies (lenders)	Investment companies	Leasing companies	Property and project finance	Other	Total
Size of the non-consolidated structured company	–	63 581	50 528	1 885	74	5	116 073
Loans and advances to customers	–	1 297	–	724	21	–	2 042
Risk provisioning	–	–	–	–	–	–	–
Financial assets at fair value through profit or loss	–	211	60	–	–	–	271
Positive fair values from hedge accounting derivatives	–	–	–	–	–	–	–
Financial assets	–	586	94	–	–	5	685
Other assets	–	–	17	–	–	–	17
Assets reported in the balance sheet of the NORD/LB Group	**–**	**2 094**	**171**	**724**	**21**	**5**	**3 015**
Liabilities to banks	–	–	–	–	–	–	–
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–
Liabilities reported in the balance sheet of the NORD/LB Group	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Off-balance-sheet positions	–	–	–	–	–	–	–
Maximum risk of loss	–	2 094	1 597	724	21	5	4 441

The NORD/LB Group is deemed the sponsor of a structured company if the market participant is justified in linking it to the structured company. Sponsorship exists in the NORD/LB Group if

- the NORD/LB Group was involved in setting up the structured company and cooperated in its objectives and design;
- the designation of the structured company contains elements creating a connection with NORD/LB Group;
- management of the assets and liabilities of the structured company is done on the basis of a strategy developed by the Group;
- the NORD/LB Group issued or purchased the assets before they were incorporated into the structured company (i.e. NORD/LB is the originator of the structured company).

There are no earnings from sponsored non-consolidated structured companies in which the NORD/LB Group had no interest as at the reporting date (€ 4 million). These are connected to securitisation companies in the founding of which the NORD/LB Group was involved or is the originator. The earnings of € 0 million (€ 2 million) include earnings from transfers of assets; the carrying value of these assets was € 2.145 billion (€ 38 million) at the time of transfer. A sum of € 0 million (€ 2 million) further relates to the derecognition of a specific valuation allowance relating to a company being wound up.

(81) Related Parties

All the consolidated and unconsolidated subsidiaries, affiliated companies, joint ventures and subsidiaries of joint ventures qualify as related parties. The owners of NORD/LB, their subsidiaries and joint ventures and the provident funds and companies controlled by or under the joint management of related parties are also related parties of the NORD/LB Group. Natural persons considered to be related parties in accordance with IAS 24 are the members of the Managing Board, the Supervisory Board and the committees of NORD/LB as the parent company and their close relatives.

Business transacted with related parties is concluded at standard market terms and conditions. The scope of transactions conducted with related parties in 2014 and 2015, excluding those to be eliminated under consolidation, can be seen in the following statements:

31 Dec. 2015 (in € million)	Compa-Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**276**	**–**	**247**
Of which: money market transcations	–	–	–	116	–	20
Of which: loans	–	–	–	160	–	227
Public-sector loans	–	–	–	–	–	13
Other loans	–	–	–	160	–	214
Loans and advances to customers	**2 575**	**6**	**–**	**314**	**1**	**655**
Of which: money market transcations	177	–	–	13	–	–
Of which: loans	2 352	6	–	300	1	655
Public-sector loans	2 270	–	–	15	–	643
Mortage-backed loans	–	5	–	89	1	4
Other loans	82	1	–	196	–	8
Financial assets at fair value through profit or loss	**343**	**–**	**–**	**74**	**–**	**27**
of which: Debt securities and other fixed-interest securities	62	–	–	–	–	–
Of which: Positive fair values from derivatives	115	–	–	74	–	2
Of which: Trading portfolio claims	166	–	–	–	–	25
Positive fair values from hedge accounting derivatives	**97**	**–**	**–**	**–**	**–**	**–**
Financial assets	**1 892**	**–**	**–**	**16**	**–**	**–**
Of which: Debt securities and other fixed-interest securities	1 892	–	–	–	–	–
Of which: Shares and other non fixed-interest securities	–	–	–	16	–	–
Total	**4 907**	**6**	**–**	**680**	**1**	**929**

31 Dec. 2015 (in € million)	Compa-Companies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**17**	**–**	**346**	**–**	**113**
Liabilities to customers	**1 397**	**32**	**–**	**368**	**5**	**863**
Of which: saving deposits	–	–	–	–	1	–
Of which: money market transcations	893	1	–	44	–	159
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**2**
Financial liabilities at fair value through profit or loss	**47**	**–**	**–**	**1**	**–**	**156**
Of which: negative fair values from derivatives	22	–	–	1	–	28
Negative fair values from hedge accounting deriv-atives	**8**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**588**	**–**	**–**	**–**	**15**
Total	**1 453**	**637**	**–**	**715**	**5**	**1 149**
Guarantees / sureties received	371	–	–	–	–	–
Guarantees / sureties granted	–	–	–	14	–	11

1 Jan. - 31 Dec. 2015 (in € million)	Compa-Companies with significant influence	Subsi-daries	Associated companies	Persons in key positions	Other related parties
Interest expenses	32	59	35	–	8
Interest income	126	–	33	–	32
Commission income	–	–	1	–	–
Other income and expenses	3	–	–	– 6	4
Total	**97**	**– 59**	**– 1**	**– 6**	**28**

31 Dec. 2014 (in € million)	Compa-Companies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**281**	**–**	**229**
Of which: money market transcations	–	–	–	125	–	–
Of which: loans	–	–	–	155	–	230
Public-sector loans	–	–	–	–	–	13
Other loans	–	–	–	155	–	217
Loans and advances to customers	**2 815**	**11**	**25**	**323**	**1**	**766**
Of which: money market transcations	24	–	–	9	–	31
Of which: loans	2 771	11	25	314	1	736
Public-sector loans	2 715	–	–	16	–	696
Mortage-backed loans	–	10	23	98	1	26
Other loans	56	1	2	200	–	14
Financial assets at fair value through profit or loss	**141**	**–**	**–**	**73**	**–**	**171**
of which: Debt securities and other fixed-interest securi-ties	4	–	–	–	–	–
Of which: Positive fair values from derivatives	85	–	–	73	–	3
Of which: Trading portfolio claims	52	–	–	–	–	168
Positive fair values from hedge accounting deriva-tives	142	–	–	–	–	–
Financial assets	**2 011**	**–**	**–**	**16**	**–**	**–**
Of which: Debt securities and other fixed-interest securi-ties	2 011	–	–	–	–	–
Of which: Shares and other non fixed-interest securities	–	–	–	16	–	–
Total	**5 109**	**11**	**25**	**693**	**1**	**1 166**

31 Dec. 2014 (in € million)	Compa-Companies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**386**	**–**	**117**
Liabilities to customers	**610**	**44**	**131**	**359**	**4**	**330**
Of which: saving deposits	–	–	–	–	1	–
Of which: money market transcations	83	27	–	30	–	125
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**60**	**–**	**–**	**1**	**–**	**159**
Of which: negative fair values from derivatives	23	–	–	1	–	28
Negative fair values from hedge accounting derivatives	**7**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**541**	**3**	**–**	**–**	**15**
Total	**678**	**585**	**134**	**746**	**4**	**621**
Guarantees / sureties received	424	–	–	–	–	–
Guarantees / sureties granted	–	–	–	20	–	8

1 Jan. - 31 Dec. 2014 (in € million)	Compa-Companies with significant influence	Subsi-daries	Associated companies	Persons in key positions	Other related parties
Interest expenses	50	54	36	–	14
Interest income	149	1	26	–	43
Commission expenses	1	–	–	–	–
Commission income	–	–	1	–	–
Other income and expenses	164	–	26	– 6	– 23
Total	**262**	**– 53**	**17**	**– 6**	**6**

As at the balance sheet date there are valuation allowances for loans and advances to affiliated companies in the amount of € 2 million (€ 2 million). NORD/LB has partly transferred its pension obligations in the financial year to Untestützungskasse Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e.V, Hanover. For a more detailed account, Note (45) Other assets and Note (52) Provisions are referred to.

The table blow shows the maximum balances for NORD/LB transactions with related parties in the period under review and the previous year.

(in € million)	2015	2014
Assets		
Loans and advances to banks	567	868
Loans and advances to customers	4 335	4 432
Other unsettled assets	2 449	2 554
Total	**7 351**	**7 854**
Liabilities		
Liabilities to banks	506	520
Liabilties to customers	2 665	1 829
Other unsettled assets	999	788
Total	**4 170**	**3 137**
Guarantees and sureties received	423	541
Guarantees and sureties granted	32	32

The remuneration of persons in key positions is broken down as follows:

(in € million)	2015	2014
Employment-related payments due in the short term	5	6
Other long-term benefits	1	2
Benefits arising after the termination of employment	1	1
Total remuneration	**7**	**9**

Total remuneration of and loans to governing bodies in accordance with commercial law are presented in Note (83) Remuneration of and loans to governing bodies.

(82) Members of Governing Bodies and List of Mandates

1. Members of the Managing Board

Dr. Gunter Dunkel (Chairman)	Eckhard Forst
Ulrike Brouzi	Dr. Hinrich Holm
Thomas S. Bürkle	Christoph Schulz

At 31 December 2015 the following mandates were held at large corporations by appointed members of the Managing Board of the NORD/LB Group. Banks are treated as large corporations.

Name	Company
Dr. Gunter Dunkel	Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen
	Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover
	Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel
	NORD/LB Vermögensmanagement S.A., Luxemburg-Findel
	Continental AG, Hannover
Ulrike Brouzi	Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel
	NORD/LB Asset Management, Hannover
	Salzgitter AG Stahl und Technologie, Salzgitter
Thomas S. Bürkle	Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen
	Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover
	Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel
	LHI Leasing GmbH, Pullach (to 30 April 2015)
Eckhard Forst	Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover
	DEUTSCHE FACTORING BANK Deutsche Factoring GmbH & Co., Bremen
	LHI Leasing GmbH, Pullach (to 30 April 2015)
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, Luxemburg-Findel
	NORD/LB Vermögensmanagement Luxembourg S.A., Luxemburg-Findel
	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin und Hannover
	Totto-Lotto Niedersachsen GmbH, Hannover

(83) Remuneration of and Loans to Governing Bodies

(in € million)	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014
Total emoluments paid to active members of governing bodies		
Managing Board	5	4
Total emoluments paid to former members of governing bodies and their dependants		
Managing Board	4	4
Advance payments, loans and contingencies		
Managing Board	1	1

Total remuneration of the active members of the Supervisory Board is € 468 thousand (€ 478 thousand). In the year under review remuneration in the amount of € 673 thousand and € 169 thousand, which depended on the on the occurrence or expiry of future conditions and which was committed in 2012 and 2014 respectively, was granted.

In 2015 commitments of € 1 million (€ 1 million) were made for remuneration which are dependent on the occurrence or expiry of future conditions. Pension obligations to previous executive board members and their surviving dependants exist in the amount of € 58 million (€ 64 million).

(84) Group Auditor's Fees

(in € 000)	1 Jan. - 31 Dec. 2015	1 Jan. - 31 Dec. 2014
Group Auditor's Fees for		
The statutory audit	5 617	5 418
Other audit-related services	2 457	2 038
Other services	1 909	2 460

(85) Equity Holdings

The list of equity holdings includes all of the companies includes in the consolidated financial statements, the non-consolidated subsidiaries, joint ventures, affiliated companies and other equity holdings from 20 per cent. The information on the companies was taken from the most recent available annual financial statements which have been adopted. The disclosures on equity holdings represent an additional disclosure under § 315a German Commercial Code; the previous year's figures are therefore not reported.

Company name and registered office	Shares (%) direct	Shares (%) indirect
a) Companies included in the consolidated financial statements		
aa) Subsidiaries included in the consolidated financial statements		
BLB Immobilien GmbH, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen	–	54.83
Bremische Grundstücks-GmbH, Bremen	100.00	–
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover [2)]	–	100.00
KreditServices Nord GmbH, Braunschweig [2)]	–	100.00
Nieba GmbH, Hannover [2)]	–	100.00
NOB Beteiligungs GmbH & Co. KG, Hannover	100.00	–
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hannover [2)]	–	100.00
NORD/LB Asset Management AG, Hannover	100.00	–
NORD/LB Asset Management Holding GmbH, Hannover	–	100.00
Nord-Ostdeutsche Bankbeteiligungs GmbH, Hannover [2)]	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	–
TLN Beteiligung Anstalt des öffentlichen Rechts & Co. KG, Hannover [3)]	–	100.00

Company name and registered office	Shares (%) direct	Shares (%) indirect
ab) Special Purpose Entities included in the consolidated financial statements		
Beteiligungs- Kommanditgesellschaft MS "Buxmelody" Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II. GmbH, Fürstenberg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
Happy Auntie S.A., Majuro / Marshallinseln	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
MS "HEDDA SCHULTE" Shipping GmbH & Co. KG, Hamburg	–	–
MT "BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "BALTIC COMMODORE" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SCORPIUS" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SOLAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach i. Isartal	–	–
"OLIVIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PANDORA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
Proud Parents Investments Co., Majuro / Marshallinseln	–	–
"QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
ac) Investment funds included in the consolidated financial statements		
NORD/LB AM ALCO	–	100.00

Company name and registered office	Shares (%) direct	Shares (%) indirect
ad) Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint Ventures		
caplantic GmbH, Hannover	–	45.00
Bremische Wohnungbaubeteiligungsgesellschaft mbH, Bremen	50.00	–
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking [9)]	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
Öffentliche Lebensversicherung Braunschweig, Braunschweig [10)]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [10)]	–	75.00
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [5)10)]	–	56.61
Toto-Lotto Niedersachsen GmbH, Hannover	49.85	–
Investmentfonds	–	–
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
ae) After IFRS 5 valuated companies		
Subsidiaries		
Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG	–	–
Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG	–	–
NORD/LB Vermögensmanagement Luxembourg S.A., Luxemburg-Findel / Luxemburg	–	100.00
Associated companies	–	–
Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen	27.50	–

Company name and registered office	Share of capital held (in %)	Equity[1)] (in Tsd €)	Profit/Loss (in Tsd €)
b) Companies not included in the consolidated financial statements with an equity capital of greater or equal +/-€ 1 million			
BGG Oldenburg GmbH & Co. KG, Bremen	100.00	9 065	1 053
Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig [2)]	100.00	9 061	–
Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig[10)]	66.67	1 584	532
LBT Holding Corporation Inc., Wilmington (Delaware) / USA[10)]	100.00	9 124	706
LHI Leasing GmbH & Co. Immobilien KG, Pullach im Isartal [10)]	90.00	1 023	24
MALIBO GmbH & Co. Unternehmensbeteiligungs KG, Pullach im Isartal [10)]	77.81	7 456	485
NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hannover [10)]	90.00	2 580	1 642
Norddeutsche Investitionen Beteiligungsgesellschaft mbH, Hannover [10)]	100.00	15 291	20
NORD/LB RP Investments LLC, Wilmington (Delaware) / USA [10)]	100.00	6 388	– 2 000
Porzellanmanufaktur FÜRSTENBERG GmbH, Fürstenberg/Weser [2)]	98.00	3 088	–
Skandifinanz AG, Zürich / Schweiz [10)]	100.00	13 844	– 798
Terra Grundbesitzgesellschaft am Aegi mbH i.L., Hannover[10)]	100.00	1 070	– 52
Vermögensverwaltungsgesellschaft Thiede mit beschränkter Haftung, Braunschweig [2)]	100.00	1 278	–
c) Capital share of greater or equal 20 % in companies with an equity capital of greater or equal +/– € 1 million			
Joint Ventures/ associated companies / other			
Adler Funding LLC, Dover / USA [10)]	21.88	10 129	3 851
Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode[10)]	50.00	3 800	394
Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin [10)]	20.89	15 956	162
Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg [10)]	20.44	14 856	74
Immobilien Development und Beteiligungsgesellschaft Niedersachsen mit beschränkter Haftung IDB & Co. - Objekt Zietenterrassen - KG, Göttingen [6) 10)]	52.56	6 695	– 130
INI International Neuroscience Institute Hannover GmbH, Hannover [9) 10)]	22.70	– 13 510	1 662
LUNI Productions GmbH & Co. KG, Pöcking [9) 10)]	24.29	– 115 719	– 86
Medical Park Hannover GmbH, Hannover [10)]	50.00	2 999	265
Medicis Nexus GmbH & Co. KG, Icking [7) 11)]	66.01	8 310	13
Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin [10)]	26.00	12 606	730
Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hannover [10)]	39.82	11 476	565
NBV Beteiligungs-GmbH, Hannover [10)]	42.66	15 071	1 312
Öffentliche Versicherung Bremen, Bremen [10)]	20.00	5 050	–
Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Bremen [13)]	100.00	28 926	2 786
Wohnungsbaugesellschaft Wesermarsch mit beschränkter Haftung, Brake [10)]	21.72	19 207	240

Company name and registered office	Share of capital held (in %)
d) Subsidiaries not included in the consolidated financial statements with an equity capital of greater or equal +/– € 1 million	
BGG Bremen GmbH & Co. KG, Bremen	100.00
BLBI Beteiligungs-GmbH, Bremen	100.00
Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig	50.00
Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen	100.00
Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen	100.00
City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hannover	100,00
FL FINANZ-LEASING GmbH, Wiesbaden	58.00
Galimondo S.a.r.l., Luxemburg-Findel, Luxemburg	100.00
General Partner N666DN GP, LLC, Wilmington (Delaware) / USA	100.00
NBN Grundstücks- und Verwaltungs-GmbH, Hannover	100.00
New Owner Participant - N666DN OP, L.P., Wilmington (Delaware) / USA	100.00
NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hannover	100.00
NORD/LB G-MTN S.A., Luxemburg-Findel / Luxemburg	100.00
NORD/LB Informationstechnologie GmbH, Hannover [2)]	100.00
NORD/LB Project Holding Ltd., London / Großbritannien	100.00
N666DN LP LLC, Wilmington (Delaware) / USA	100,00
PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hannover	100.00
Ricklinger Kreisel Beteiligungs GmbH, Hannover	100.00
Schiffsbetriebs-Gesellschaft Bremen mbH i.L., Bremen	100.00
SGK Servicegesellschaft Kreditmanagement mbH, Frankfurt am Main	100.00
Themis 1 Inc., Wilmington (Delaware) / USA	100.00
Vermögensverwaltungsgesellschaft Thiede GmbH u. Co. Grundschulen-Vermietungs-KG, Hannover	100.00
Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Objekt Celle-Altenhagen Vermietungs-KG, Hannover [9) 10)]	72.70
Vermögensverwaltungsgesellschaft Thiede GmbH & Co. Tiefgarage Stade Vermietungs KG, Hannover	90.00

1) Equity definition in accordance with §§ 272 and 272 of the German Commercial Code less outstanding participations.
2) A profit/loss transfer agreement exists with the company.
3) Established in the financial year.
4) Due to the joint management, this company is classified as a joint venture.
5) Due to the “potential voting rights” of third parties, this company is classified as an associated company.
6) Due to the share in voting rights of 50.00 per cent, this company is not classified as a subsidiary.
7) Due to the rebuttal of the definition of control / significant influence, this company is allocated to other investments.
8) No disclosures concerning equity and earnings are made in accordance with § 313 para. 2 no. 4 clause 3 of the German Commercial Code.
9) The company is not actually overindebted.
10) No data is available as at 31 December 2014
11) No data is available as at 31 December 2013
12) Due to the structure under company law, this company is classified as an associated company.
13) Due to IFRS 10 company does not have to be consolidated.

Forward-looking Statements

This report contains forward-looking statements. They can be recognised in terms such as expect, intend, plan, endeavour and estimate and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence our business and are beyond our control. These include in particular the development of financial markets and changes in interest rates and market prices. Actual results and developments may therefore differ considerably from the assumptions made in the report. NORD/LB accepts no responsibility for the forward-looking statements and also does not intend to update them or to correct them if developments are other than expected.

Further Information

Country-by-Country Reporting in accordance with § 26a of the German Banking Act as at 31 December 2015

The requirement for country-by-country reporting of Article 89 of the EU Directive 2013/36/EU (Capital Requirements Directive, CRD IV) was transposed into German law by the German Banking Act and needed to be met in full for the first time for 2014 in accordance with § 64 r of the German Banking Act. In this report the revenues generated, the number of employees, the profit or loss before taxes, the taxes on profit or loss and the state aid received from each EU member state and from third countries are reported on a non-consolidated basis for companies included in the IFRS consolidated financial statements by way of full consolidation. For revenue, the earnings before taxes included in the IFRS consolidated financial statements, before the consideration of consolidation effects, before risk provisioning and administrative expenses and not including other operating expenses are stated. The number of employees is the average number of employees in the reporting period. The profit or loss before income taxes and taxes on profit or loss are stated before the consideration of consolidation effects. The taxes on profit or loss are based on the current and deferred tax expenses and income. The NORD/LB Group has not received any state aid in contravention of EU state aid rules.

	Number of employees	Revenue (in € million)	Earnings before taxes (in € million)	Income taxes (in € million)	Received public payments
Germany	5 580	2 491	413	– 89	–
China	18	5	1	–	–
UK	83	110	60	– 2	–
Luxembourg	208	107	40	– 15	–
Singapore	59	64	42	– 4	–
USA	75	99	58	22	–

	Type of activity	Country	Location
Beteiligungs- Kommanditgesellschaft MS "Buxmelody" Verwaltungs- und Bereederungs GmbH & Co.	Other company	Germany	Buxtehude
BLB Immobilien GmbH	Other company	Germany	Bremen
BLB Leasing GmbH	Financial services institution	Germany	Oldenburg
Bremer Landesbank Kreditanstalt Oldenburg -Girozentrale-	Bank	Germany	Bremen
Bremische Grundstücks-GmbH	Other company	Germany	Bremen
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Other company	Germany	Pullach i. Isartal
Deutsche Hypothekenbank (Actien-Gesellschaft)	Bank	Germany	Hanover
Fürstenberg Capital Erste GmbH	Other company	Germany	Fürstenberg
Fürstenberg Capital II. GmbH	Other company	Germany	Fürstenberg
GEBAB Ocean Shipping II GmbH & Co. KG	Other company	Germany	Hamburg
GEBAB Ocean Shipping III GmbH & Co. KG	Other company	Germany	Hamburg
Hannover Funding Company LLC	Finance company	USA	Dover (Delaware)
Happy Auntie S.A.	Other company	Marshallisland	Majuro
KMU Shipping Invest GmbH	Other company	Germany	Hamburg
KreditServices Nord GmbH	Provider of financial services	Germany	Braunschweig
MS "Hedda Schulte" Shipping GmbH & Co. KG	Other company	Germany	Hamburg
MT "BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG	Other company	Germany	Hamburg
MT "BALTIC COMMODORE" Tankschiffahrtsgesellschaft mbH & Co. KG	Other company	Germany	Hamburg
MT "NORDIC SCORPIUS" Tankschiffahrtsgesellschaft mbH & Co. KG	Other company	Germany	Hamburg
MT "NORDIC SOLAR" Tankschiffahrtsgesellschaft mbH & Co. KG	Other company	Germany	Hamburg
MT "NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG	Other company	Germany	Hamburg
Nieba GmbH	Finance company	Germany	Hanover
NOB Beteiligungs GmbH & Co. KG	Finance company	Germany	Hanover
Norddeutsche Landesbank Girozentrale	Bank	Germany	Hanover
Norddeutsche Landesbank Girozentrale Niederlassung London	Bank	United Kingdom	London
Norddeutsche Landesbank Girozentrale Niederlassung New York	Bank	USA	New York
Norddeutsche Landesbank Girozentrale Niederlassung Shanghai	Bank	China	Shanghai
Norddeutsche Landesbank Girozentrale Niederlassung Singapur	Bank	Singapore	Singapore
Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank	Bank	Luxembourg	Luxemburg-Findel

	Type of activity	Country	Location
Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Hamburg
Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Hamburg
NORD/FM Norddeutsche Facility Management GmbH	Sonstiges Unternehmen	Deutschland	Hannover
NORD/LB AM ALCO	Sonstiges Unternehmen	Deutschland	Hannover
NORD/LB Asset Management AG	Kapitalanlagegesellschaft	Deutschland	Hannover
NORD/LB Asset Management Holding GmbH	Finanzunternehmen	Deutschland	Hannover
NORD/LB Objekt Magdeburg GmbH & Co. KG	Anbieter von Nebendienstleistungen	Deutschland	Pullach i. Isartal
NORD/LB Vermögensmanagement Luxembourg S.A.	Finanzdienstleistungsinstitut	Luxemburg	Luxemburg-Findel
Nord-Ostdeutsche Bankbeteiligungs GmbH	Finanzunternehmen	Deutschland	Hannover
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG	Sonstiges Unternehmen	Deutschland	Bremen
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG	Sonstiges Unternehmen	Deutschland	Bremen
"OLIVIA" Beteiligungsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Elsfleth
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Elsfleth
"PANDORA" Beteiligungsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Elsfleth
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Elsfleth
Proud Parents Investments Co	Sonstiges Unternehmen	Marshallinseln	Majuro
"QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG	Sonstiges Unternehmen	Deutschland	Elsfleth
TLN Beteiligung Anstalt des öffentlichen Rechts & Co. KG	Finanzunternehmen	Deutschland	Hannover

The average return on investment is 0.29 per cent. This is based on the earnings after taxes and total assets of the IFRS consolidated financial statements as at 31 December 2015.

Responsibility Statement

We declare that to the best of our knowledge and in accordance with applicable accounting principles, the consolidated financial statements provide a true and fair view of the Group's assets, financial and earnings position and that the Group management report presents a true and fair view of the development of business including the operating result and the position of the Group and also describes the significant opportunities and risks relating to the probable development of the Group.

Hanover / Braunschweig / Magdeburg, 18 March 2016

Norddeutsche Landesbank Girozentrale

The Managing Board

Dr. Dunkel	Brouzi	Bürkle
Forst	Dr. Holm	Schulz

Auditor's Opinion

We have audited the condensed consolidated financial statements, consisting of the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and notes to the consolidated financial statements as well as the Group management report prepared by Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig and Magdeburg (NORD/LB) for the financial year of 1 January to 31 December 2015. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law in accordance with § 315a para. 1 of the German Commercial Code, is the responsibility of NORD/LB's Managing Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code 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 consolidated financial statements taking into account applicable accounting regulations and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and Group management report are examined primarily on a random sample basis within the framework of the audit. The audit includes assessing the annual financial statements of those companies included in consolidation, the determination of companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group 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 consolidated financial statements comply with IFRSs, as adopted by the EU, and additional requirements of German commercial law in accordance with § 315a para. 1 of the German Commercial Code and give a true and fair view of the assets, financial and earnings position of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and on the whole conveys a true picture of the Group's position and suitably presents the opportunities and risks of future development.

Hanover, 18 March 2016

KPMG AG

Wirtschaftsprüfungsgesellschaft

Ufer Leitz

Auditor Auditor

Facts and Figures

Establishment
Merger into Norddeutsche Landesbank Girozentrale on 1 July 1970

Predecessor institutes
Niedersächsische Landesbank – Girozentrale – (established 1917)
Herzogliches Leyhaus (established 1765) (from which Braunschweigische Staatsbank emerged in 1919)
Hannoversche Landeskreditanstalt (established 1840)
Niedersächsische Wohnungskreditanstalt Stadtschaft (established 1918)

Legal basis
State Treaty of 22 August 2007 between the State of Lower Saxony, the State of Saxony-Anhalt and the State of Mecklenburg-Western Pomerania concerning Norddeutsche Landesbank Girozentrale in the version of the Amendment to the State Treaty of 12 July 2011, which entered into force on 31 December 2011.

Statutes of Norddeutsche Landesbank Girozentrale in accordance with the resolution of the Owners' Meeting of 9 December 2013. These statutes entered into force on 1 January 2014.

Legal form
Registered public institute

Owners
State of Lower Saxony
Niedersächsischer Sparkassen- und Giroverband
State of Saxony-Anhalt
Sparkassenbeteiligungsverband Sachsen-Anhalt
Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern

Executive bodies
Managing Board
Supervisory Board
Owners' Meeting

Supervision
State of Lower Saxony through the Lower Saxony Minister for Finance in consultation with the Saxony-Anhalt Ministry of Finance

Managing Board
Dr. Gunter Dunkel (Chairman)
Ulrike Brouzi
Thomas S. Bürkle
Eckhard Forst
Dr. Hinrich Holm
Christoph Schulz

General representatives
Carsten Hünken
Dr. Ulf Meier
Christoph Trestler

Registered office of the bank
Hanover (head office)
Friedrichswall 10
30159 Hanover

Braunschweig
Friedrich-Wilhelm-Platz
38100 Braunschweig

Magdeburg
Breiter Weg 7
39104 Magdeburg

Development banks
Investitionsbank Sachsen-Anhalt
Domplatz 12
39104 Magdeburg

Landesförderinstitut Mecklenburg-Vorpommern
Werkstraße 213
Schwerin

Branches in Germany
(in alphabetical order)
Hanover Branch
Georgsplatz 1
30159 Hanover

Düsseldorf Branch
Königsallee 63-65
40215 Dusseldorf

Hamburg Branch
Brodschrangen 4
20457 Hamburg

Magdeburg Branch
Landesbank für Sachsen-Anhalt
Breiter Weg 7
39104 Magdeburg

Munich Branch
Widenmayerstraße 15
80538 Munich

Schwerin Branch
Graf-Schack-Allee 10/10A
19053 Schwerin

Stuttgart Branch
Kronprinzstraße 11
70173 Stuttgart

Branches worldwide
(in alphabetical order)
NORD/LB London
One Wood Street
London EC2V 7WT
Great Britain

NORD/LB New York
1114, Avenue of the Americas
20th Floor
New York, New York 10036

NORD/LB Shanghai
15F, China Insurance Building
166 East Lujiazui Road
Pudong New District
Shanghai 200120
PR China

NORD/LB Singapore
CapitaGreen
138 Market Street
36-03
Singapore 048946

Locations of Deutsche Hypo in Germany and worldwide
http://www.deutsche-hypo.de/wir-ueber-uns/standorte

Branches of Braunschweigische Landessparkasse
www.blsk.de

Investments
www.nordlb.de/die-nordlb/ueber-uns/beteiligungen/

Bremer Landesbank Kreditanstalt
Oldenburg Girozentrale
Domshof 26
28195 Bremen

Deutsche Hypothekenbank
(Actien-Gesellschaft)
Osterstraße 31
30159 Hanover

Nieba GmbH*
Friedrichswall 10
30159 Hanover

** with the investment holding*
DekaBank Dt. Girozentrale
Mainzer Landstraße 16
60325 Frankfurt am Main

NORD/LB Asset Management
Holding GmbH*
Prinzenstraße 12
30159 Hanover

** with the subsidiary*
NORD/LB Asset Management AG
Prinzenstraße 12
30159 Hanover

NORD/LB Luxembourg S.A. Covered Bond Bank
7, rue Lou Hemmer
L-1748 Luxemburg-Findel
Luxembourg

NORD/LB Vermögensmanagement
Luxembourg S. A.
7, rue Lou Hemmer
L-1748 Luxemburg-Findel
Luxembourg

Nord-Ostdeutsche
Bank-Beteiligungsgesellschaft mbH*
Friedrichswall 10
30159 Hanover

* with the investment holdings
NOB Beteiligungs GmbH & Co. KG
Friedrichswall 10
30159 Hanover

with the investment holding
Deutsche Factoring Bank Deutsche Factoring
GmbH & Co.
Langenstraße 15-21
28195 Bremen

** LBS Norddeutsche Landesbausparkasse Berlin-Hannover*
Kattenbrookstrift 33
30539 Hanover

Öffentliche Sachversicherung Braunschweig
Öffentliche Lebensversicherung
Braunschweig
Theodor-Heuss-Straße 10
38122 Braunschweig

TLN Beteiligung Anstalt des öffentlichen Rechts &
Co. KG *
Friedrichswall 10
30159 Hanover

*with the investment holding
Toto-Lotto Niedersachsen GmbH
Am TÜV 2-4
30519 Hanover

Supervisory Board of Norddeutsche Landesbank
(As at 31 December 2015)

Chairman
Peter-Jürgen Schneider
Minister
Lower Saxony Ministry of Finance

1st *Deputy Chairman*
Thomas Mang
President
Sparkassenverband Niedersachsen

2nd Deputy Chairman
Jens Bullerjahn
Minister
Saxony-Anhalt Ministry of Finance

Members
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Edda Döpke
NORD/LB Norddeutsche Landesbank Girozentrale

Ralf Dörries
Senior Bank Director
NORD/LB Norddeutsche Landesbank Girozentrale

Dr. Elke Eller
Head of HR and Director of Human Resources
TUI AG

Hans-Heinrich Hahne
Chairman of the Managing Board
Sparkasse Schaumburg

Frank Hildebrandt
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Klingebiel
Mayor of
Salzgitter

Prof. Dr. Susanne Knorre
Business Consultant

Ulrich Mädge
Mayor of
the Hanseatic City of Lüneburg

Antje Niewisch-Lennartz
Justice Minister
of Lower Saxony

Jörg Reinbrecht
Trade Union Secretary
ver.di Hanover region

Ilse Thonagel
Landesförderinstitut Mecklenburg-Vorpommern

Felix von Nathusius
Chairman of the Managing Board
IFA ROTORION - Holding GmbH

Owners' Meeting
(As at 31 December 2015)

Chairman
Thomas Mang
President
Sparkassenverband Niedersachsen

1st Deputy Chairman
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

2nd Deputy Chairman
Frank Bannert
District Administrator
Saalekreis District

State of Lower Saxony
Ulrich Böckmann
Ministerial Advisor
Lower Saxony Ministry of Finance

Frank Doods
State Secretary
Lower Saxony Ministry of Finance

State of Saxony-Anhalt
Dr. Ingolf Lange
Ministerial Advisor
Saxony-Anhalt
Ministry of Finance

Michael Richter
State Secretary
Saxony-Anhalt
Ministry of Finance

Sparkassenbeteiligungsverband Sachsen-Anhalt
Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern
Rolf Christiansen
District Administrator
Ludwigslust-Parchim District

Sparkassenverband Niedersachsen
Ludwig Momann
Chairman of the Managing Board
Sparkasse Emsland

General Advisory Board
(As at 31 December 2015)

Chairman
Peter-Jürgen Schneider
Minister
Lower Saxony Ministry of Finance

1st *Deputy Chairman*
Thomas Mang
President
Sparkassenverband Niedersachsen

Members
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Jens Bullerjahn
Minister
Saxony-Anhalt
Ministry of Finance

Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Advisory Board PR and Administration
(As at 31 December 2015)

Chairman
Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Deputy Chairman
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Members

Heinrich Aller
Member of State Parliament and Minister for Finance retired

Jens Bullerjahn
Minister
Saxony-Anhalt
Ministry of Finance

Hermann Dinkla
President of the Lower Saxony State Parliament retired

Frank Doods
State Secretary
Lower Saxony Ministry of Finance

Renate Geuter
Member of the State Parliament
SPD Parliamentary Party in the Lower Saxony State Parliament

Christian Grascha
Member of the State Parliament
FDP Parliamentary Party in the Lower Saxony State Parliament

Prof. Dr. Lothar Hagebölling
State Secretary retired

Elisabeth Heister-Neumann
Minister retired

Reinhold Hilbers
Member of the State Parliament
CDU Parliamentary Party in the Lower Saxony State Parliament

Dr. Gert Hoffmann
Mayor retired

Manfred Hugo
District Administrator retired

Hauke Jagau
Regional President
Hanover Region

Peter Kuras
Mayor of
Dessau-Roßlau

Thomas Mang
President
Sparkassenverband Niedersachsen

Prof. Dr. Hubert Meyer
Managing Director
Lower Saxony District Assembly

Dr. Jörg Mielke
State Secretary
Head of the State Chancellery, Lower Saxony State Chancellery

Dieter Möhrmann
Vice President retired
Lower Saxony State Parliament

Wolfgang Nolte
Mayor of
Duderstadt

Doris Nordmann
Ministerial Director
Lower Saxony Ministry of Finance

Anja Piel
Chairperson
Bündnis 90/Die Grünen Parliamentary Party

Heinz Rolfes
Member of the State Parliament

Peter-Jürgen Schneider
Minister
Lower Saxony Ministry of Finance

Thomas Schneider
Ministerial Director
Lower Saxony Ministry of Finance

Heiger Scholz
Managing Director
Lower Saxony Association of Cities

Angela Schürzeberg
District Administrator
Holzminden District

Hartmut Tölle
District Chairman
German Federation of Trade Unions Lower Saxony-Bremen-Saxony-Anhalt

Dr. Marco Trips
President
Lower Saxony Association of Cities and Municipalities

Matthias Wunderling-Weilbier
State Representative for Regional State Development
Office of Regional State Development Braunschweig

Michael Ziche
District Administrator
Altmarkkreis Salzwedel District

Economic Advisory Board
(As at 31 December 2015)

Chairman
Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Deputy Chairman
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Members
Jürgen Abromeit
Chairman of the Managing Board
INDUS Holding AG
Peter Ahlgrim
Chairman of the Managing Board
ÖSA Öffentliche Versicherungen Sachsen-Anhalt

Caspar Baumgart
Member of the Managing Board
WEMAG AG

Dr. Jörg Boche
General Representative
Volkswagen AG

Richard Borek jun.
Managing Director
Richard Borek GmbH & Co. KG

Dr. Bernard Broermann
Sole shareholder
Asklepios-Kliniken GmbH

Jens Bullerjahn
Minister
Saxony-Anhalt
Ministry of Finance

Paolo DellAntonio
Spokesperson of the Managing Board
Mast-Jägermeister AG

Michael Doering
Chairman of the Managing Board
Öffentliche Versicherung Braunschweig

Michael Eggenschwiler
Chairman of the Managing Board
Flughafen Hamburg GmbH

Michael G. Feist

Chairman of the Managing Board
Stadtwerke Hannover AG

Dr. Heiner Feldhaus
Chairman of the Managing Board
Concordia Versicherungen

Peter M. Feldmann
Managing Partner
ABG Projektentwicklungs GmbH

Thomas Flemming
Chairman of the Managing Board
Mecklenburgische Versicherungsgruppe

Professor Dr. Heinz Jörg Fuhrmann
Chairman of the Managing Board
Salzgitter AG

Lic. oec. Hans-Michael Gallenkamp
Chairman of the Advisory Board
Felix Schoeller GmbH & Co. KG

Birgit Gärtner
Managing Partner
Porta Service + Beratungs GmbH + Co. KG

Dr. Karl Gerhold
Chairman of the Managing Board
GETEC heat & power AG

Prof. Dr. Werner Görg
Chairman of the Supervisory Boards of Gothaer Group
Gothaer Versicherungsbank VVaG

Dr. Friedhelm Haak
Media Consultant

Herbert K. Haas
Chairman of the Managing Board
Talanx AG

Karin Hardekopf
Member of the Managing Board
GP Günter Papenburg AG

Alfred Hartmann
Chairman of the Supervisory Board
Hartmann AG

Helmut Bernhard Herdt
Spokesperson of the Managing Board
Städtische Werke Magdeburg GmbH

Matthias Herter
Managing Director
meravis Wohnungsbau- und Immobillien GmbH

Ingo Kailuweit
Chairman of the Managing Board
Kaufmännische Krankenkasse - KKH

Hermann Kasten
Chairman of the Managing Board
VGH Versicherungsgruppe Hannover

Martin Kind
Managing Director
KIND Hörgeräte GmbH & Co. KG

Dr. Dieter Köster
Managing Director
HomeStead GmbH & Co. KG

Dr. Joachim Kreuzburg
Chairman of the Managing Board
Sartorius AG

Reinhard Lohmann
Deputy Chairman of the Supervisory Board
Rethmann AG & Co. KG

Thomas Mang
President
Sparkassenverband Niedersachsen

Dirk Meinecke
Managing Director
H. Butting GmbH & Co. KG

Bernard Meyer Dipl.-Ing.
Managing Director
MEYER WERFT GmbH

Dr. Michael Lange
Member of the Managing Board
Nordzucker AG

Dr. Jürgen Peter
Chairman of the Managing Board
AOK-Die Gesundheitskasse für Niedersachsen

Uwe H. Reuter
Chairman of the Managing Board
INDUS Holding AG

Wolfgang Scheible
Member of the Managing Board
Continental AG

Peter-Jürgen Schneider
Minister
Lower Saxony Ministry of Finance

Andreas Schober
Spokesperson of the Managing Board
HANNOVER Finanz GmbH

RUDOLF Sonnemann
Chairman of the Managing Board
Stiebel Eltron GmbH & Co. KG

Berend van der Velde
Managing Director
Van der Velde Agrar GmbH

Dr. Wolfram von Fritsch
Chairman of the Managing Board
Deutsche Messe AG

Lorenz von Schröder
Chairman of the Managing Board
Dr. Schmidt Group

Georg Weber
Managing Director
MKN Maschinenfabrik Kurt Neubauer
GmbH & Co. KG

Klaus-Peter Wennemann
Business Consultant

Marc Zeimetz
Managing Director
Madsack Mediengruppe

Savings Banks Advisory Board
(As at 31 December 2015)

Chairman
Thomas Mang
President
Sparkassenverband Niedersachsen

Deputy Chairman
Peter-Jürgen Schneider
Minister
Lower Saxony Ministry of Finance

Members
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Stefan Beumer
Chairman of the Managing Board
Sparkasse Einbeck

Ulrich Böther
Chairman of the Managing Board
Sparkasse Altmarkt-West

Jens Bullerjahn
Minister

Saxony-Anhalt
Ministry of Finance

Norbert Dierkes
Chairman of the Managing Board
Sparkasse Jerichower Land

Dr. Michael Ermrich
Managing President
Ostdeutscher Sparkassenverband

Dr. Jürgen Peter
Chairman of the Managing Board
Saalesparkasse

Bernd Heinemann
Chairman of the Managing Board
Kreissparkasse Bersenbrück

Stefan Kalt
Member of the Managing Board
Sparkasse Rothenburg-Bremervörde

Friedrich-Wilhelm Kaup
Chairman of the Managing Board
Sparkasse Weserbergland

Kai Lorenzen
Chairman of the Managing Board
Sparkasse Mecklenburg-Schwerin

Heinz Lüers
Chairman of the Managing Board
Sparkasse Harburg-Buxtehude

Hermann Mehrens
Chairman of the Managing Board
Sparkasse Goslar/Harz

Heiko Menz
Chairman of the Managing Board
Stadtsparkasse Wunstorf

Uwe Seinwill
Chairman of the Managing Board
Sparkasse Vorpommern

Hans-Michael Strube
Chairman of the Managing Board
Salzlandsparkasse

Thomas Toebe
Chairman of the Managing Board
Sparkasse Osterode am Harz

Franz Wienöbst
Chairman of the Managing Board
Kreissparkasse Soltau

Hubert Winter
Chairman of the Managing Board
Kreissparkasse Grafschaft Bentheim zu Nordhorn

Annett Zahn
Chairman of the Managing Board
Sparkasse Uecker-Randow

Advisory Board for Agricultural Lending Business
(As at 31 December 2015)

Chairman
Christian Meyer
Minister
Lower Saxony Ministry of Food, Agriculture and Consumer Protection

Deputy Chairman
Dr. Hermann-Onko Aeikens
Minister
Saxony-Anhalt Ministry for Agriculture and Environment

Members
Gerhard Döpkens
Chairman of the Managing Board
Sparkasse Gifhorn-Wolfsburg

Frank Finkmann
Chairman of the Managing Board
Kreissparkasse Soltau

Kurt Fromme
Managing Director
Wilhelm Fromme Landhandel GmbH + Co. KG

Hermann Hermeling
Chairman of Landvolk Lingener Land

Werner Hilse
President
Landvolk Niedersachsen

Dr. Harald Isermeyer
Farmer

Kurt-Henning Klamroth
President
Bauernbund Sachsen-Anhalt e. V.

Leif Raszat
Member of the Managing Board
Saalesparkasse

Alexander Rothe
Managing Partner
Getreide AG

Dr. Peter Sanftleben
State Secretary
Mecklenburg-Western Pomerania Ministry for Agriculture, Environment and Consumer Protection

Doris Schröder Dipl. Ing. agr.
Managing Director
Lower Saxony Agrifood Competence Center

Gerhard Schwetje
President
Chamber of Agriculture Lower Saxony

Rainer Tietböhl
President
Bauernverband
Mecklenburg-Vorpommern e. V.

Annett Zahn
Chairman of the Managing Board
Sparkasse Uecker-Randow

Frank Zedler
President
Landesbauernverband Sachsen-Anhalt e. V.

Norddeutsche Landesbank Regional Advisory Board for Saxony-Anhalt
(As at 31 December 2015)

Chairman
Frank Bannert
District Administrator
Saalekreis District

Deputy Chairman
Michael Richter
State Secretary of the Saxony-Anhalt Ministry of Finance

Members
Dr. Hermann-Onko Aeikens
Minister
Saxony-Anhalt Ministry for Agriculture and Environment

Ulrich Böther
Chairman of the Managing Board
Sparkasse Altmarkt-West

Prof. Dr. Claudia Dalbert
Parliamentary Party Chairperson
BÜNDNIS 90/Die GRÜNEN Parliamentary Party
Saxony-Anhalt State Parliament

Norbert Dierkes
Chairman of the Managing Board

Sparkasse Jerichower Land

Helmut Bernhard Herdt
Spokesperson of the Managing Board
Städtische Werke Magdeburg GmbH

Mario Kerner
Chairman of the Managing Board
Sparkasse Burgenlandkreis
Dr. Angelika Klein
District Administrator
Mansfeld-Südharz District

Jürgen Leindecker
State Managing Director
Saxony-Anhalt Association of Cities and Municipalities

Hartmut Möllring
Minister
Ministry of Sciences and Economic Affairs

Ronald Mormann
Member of the State Parliament
SPD Parliamentary Party in the Saxony-Anhalt State Parliament

Dr.-Ing. Lutz Petermann
Managing Director
FAM Magdeburger Förderanlagen und Baumaschinen GmbH

Peter Schmidt
Managing Director
Industriebau Wernigerode GmbH

André Schröder
Parliamentary Party Chairman
CDU Parliamentary Party in the Saxony-Anhalt State Parliament

Heinz-Lothar Theel
Managing Member of the Presiding Board
Saxony-Anhalt District Assembly

Eva von Angern
Member of the State Parliament
Die Linke Parliamentary Party in the Saxony-Anhalt State Parliament

Guests
Dr. Ingolf Lange
Ministerial Advisor
Saxony-Anhalt Ministry of Finance

Norddeutsche Landesbank Regional Advisory Board for Mecklenburg-Western Pomerania
(As at 31 December 2015)

Chairman
Rolf Christiansen
District Administrator
Ludwigslust-Parchim District

Deputy Chairman
Dr. Peter Zeggel
Managing Director
Avella GmbH

Members
Frank Berg
Chairman of the Managing Board
OstseeSparkasse Rostock

Dr. Reinhard Dettmann
Mayor of
Teterow

Christian Koos Dipl.-Ing.
Managing Director
SWS Stadtwerke Stralsund GmbH

Matthias Köpp
Landkreistag Mecklenburg-Vorpommern e.V.

Kai Lorenzen
Chairman of the Managing Board
Sparkasse Mecklenburg-Schwerin

Oliver Schindler
Managing Director
Dr. Barbara Syrbe
District Administrator
Western Pomerania Greifswald District

Bernd Werdermann
Managing Director
Gerüstbau und Bauhandwerksbetrieb
Bernd Werdermann

Annett Zahn
Chairman of the Managing Board
Sparkasse Uecker-Randow

Administrative Board of Braunschweigische Landessparkasse
(As at 31 December 2015)

Chairman
Ulrich Markurth
Mayor of
Braunschweig

1st Deputy Chairperson
Angela Schürzeberg
District Administrator
Holzminden District

2nd Deputy Chairman
Thomas Mang
President
Sparkassenverband Niedersachsen

Members
Rolf-Dieter Backhauß
1st Deputy District Administrator
Helmstedt District

Edda Döpke
Bank employee
NORD/LB Norddeutsche Landesbank Girozentrale

Ralf Dörries
Sweet Tec GmbH

Senior Bank Director
NORD/LB Norddeutsche Landesbank Girozentrale
Gerald Heere
Member of the Lower Saxony State Parliament
Bündnis 90/Die Grünen Parliamentary Party in
the Lower Saxony State Parliament
Frank Hildebrandt
Bank employee
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Klingebiel
Mayor of
Salzgitter

Freddy Pedersen
Deputy Managing Director
ver.di Trade Union

Christiana Steinbrügge
District Administrator
Wolfenbüttel District

Klaus Wendroth
Chairman
CDU Council Party

Glossary

Investment Properties

Land or buildings held solely to generate rental income or for the purpose of capital appreciation.

Asset-backed securities

Tradeable interest-bearing securities whose interest payments and capital repayments are covered and serviced by financial assets secured by collateral.

Available for Sale (AfS)
Available for sale financial assets.

Non-derivative financial assets which are not allocated to any other IAS 39 measurement category or assets which have been classified as available for sale. Until derecognition, changes in the fair value are recognised directly in other comprehensive income (OCI).

Backtesting

Method of monitoring the quality of value-at-risk models involving a retrospective comparison of losses calculated in the value-at-risk approach with losses effectively incurred.

Capital Requirements Regulation

The Capital Requirements Regulation (CRR), which within the scope of Basel III contains requirements for the capital adequacy of banks, financial institutions and financial holding groups and mixed financial holding groups and which adopts the individual regulations implemented in the previous German Solvency Regulation (Solvabilitätsverordnung).

Derivative or derivative financial instrument

Derivatives or derivative financial instruments are financial assets or liabilities whose value changes on the basis of a defined underlying asset (interest rate, currency, share, etc.) and which require no or only a small initial investment and are settled on a future date.

Effective interest method

Method for calculating the amortised cost of financial assets or liabilities and the allocation of interest income and expense to the respective periods. The effective interest rate is the interest rate used for calculating estimated future cash receipts and payments over the expected life of the financial instruments to their exact discounted net carrying amount.

Embedded derivatives

Structured products comprise a host contract and one or more embedded derivative financial instruments. All components are the subject matter of a single contract relating to the structured product, i.e. they constitute a legal unit and may not be negotiated separately due to the circumstance of a contractual unit. Embedded derivatives are to be reported as separate financial instruments under certain circumstances.

Equity method

Accounting method whereby the investment in affiliated companies and joint ventures is initially recognised at cost and adjusted in subsequent periods in accordance with the change in the investor's share of the net assets of the affiliated company.

Expected loss

Expected loss is the loss which is expected to occur within a year. For example, in the bank's credit portfolio it can be calculated on the basis of available loss data.

Fair value

The price at which an asset can be sold or a liability transferred in an ordinary transaction between market participants on the measurement date.

Financial instrument

A financial instrument is a contract that gives rise to a financial asset for one entity and at the same time gives rise to a financial liability or equity instrument for another entity.

Amortised cost

Amount at which financial assets or liabilities are measured on initial recognition less repayments, including or less accumulated amortisation of any discount or premium using the effective interest rate method and less any allowances for impairment.

Total risk exposure

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. The term "Gesamtrisikobetrag" (total risk exposure) was introduced with the CRR and replaces the term "Gesamtanrechnungsbetrag" (total amount eligible for inclusion). The term risk-weighted assets (RWA) is also commonly used.

Hedged item

Financial assets or liabilities, fixed liabilities, highly probable forecast transactions or net investments in foreign operations that expose a company to the risk of a change in fair value or future cash flows and that are designated as part of an effective hedge relationship.

Goodwill

Future economic benefits from assets resulting from business combinations which cannot be individually identified and separately recognised.

Assets held for trading (HfT)

Financial assets acquired for the purpose of selling in the short term, as well as derivative financial instruments that are not hedging instruments in an effective hedge relationship.

Liabilities held for trading (HfT)

Financial liabilities incurred for the purpose of repurchasing in the short term, as well as derivative financial instruments that are not hedging instruments in an effective hedge relationship.

Hedge accounting

Accounting and balance sheet presentation of hedging relationships between hedged items and hedging instruments in order to avoid or reduce volatility in the income statement and in equity which would result from different measurements of hedged items and hedging instruments.

Investments Held to Maturity (HtM)

Financial instruments held to maturity
Non-derivative financial assets listed in an active market with fixed or determinable payments and a fixed maturity for which an entity has the ability and intention to hold to maturity. The Held to Maturity category is currently not employed in the NORD/LB Group.

Impairment

If the carrying amount of an asset exceeds its recoverable amount or if there is objective evidence of impairment of a financial asset and if this loss event has a measurable impact on the estimated future cash flows, the value of the asset should be reduced by unscheduled depreciation.

Confidence level

In the value-at-risk model, the confidence level describes the probability that a potential loss will not exceed an upper loss limit defined by the corresponding value-at-risk amount.

Deferred taxes

If values stated in the tax balance sheet differ from the carrying amounts of assets and liabilities in the IFRS balance sheet and if these differences are taxable temporary differences, amounts of income tax payable in the future or amounts of income tax recoverable in the future are recognised as deferred taxes.

Level 1, Level 2, Level 3

The respective level of the fair value hierarchy is determined by the input data used in the measurement and reflects the market proximity of the variables included in establishing the fair value.

Loans and receivables (LaR)

Non-derivative financial assets with fixed or determinable payments which are not listed in an active market.

Other financial liabilities (OL)
Other financial obligations

All non-derivative financial liabilities which are not held for trading, are not designated at fair value through profit or loss through exercising the fair value option or are not part of an effective hedge relationship. These liabilities are measured at amortised cost.

Rating

Standardised assessment of the creditworthiness of securities or borrowers carried out in a detailed internal risk assessment (internal rating) or by an independent rating agency (external rating).

Hedging instrument

Derivative or (for hedging currency risk) non-derivative financial instruments for which the fair value or cash flows are expected to effectively offset or reduce the changes in the fair value or cash flow of a designated hedged item.

Stress test

Method which attempts to model the effects of extraordinary but plausible possible events.

Unexpected loss

Dimension to quantify risk as a potential difference between potential future loss and expected loss, whereby the potential future loss is dependent on the confidence level chosen.

Value at Risk (VaR)

Value at Risk is the potential future loss which is not exceeded in a specific period and at a specific confidence level.

Securitisation

In securitisation, receivables are pooled and where applicable transferred to a special purpose entity which is refinanced through the issuing of securities.

Volatility

Dimension to measure fluctuations (e. g. exchange rate fluctuations for securities or currencies). A higher degree of volatility shows wider fluctuations in the observation period and infers that risk may be higher in future.

Financial assets or liabilities designated at fair value through profit or loss (DFV)

Financial assets and liabilities may under certain circumstances be irrevocably designated at fair value through profit or loss upon initial recognition (fair value option). Recognition and measurement inconsistencies resulting from different valuation methods are thus avoided or significantly reduced.

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 statues 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 Finance Group 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
Mr. Heinrich von Nathusius
On 31 December 2015
Mr. Hans-Heinrich Hahne

The following were appointed to the Supervisory Board:
On 1 November 2015
Mr. Felix von Nathusius
On 1 January 2016
Mr. 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 for 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 statues. 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 Mr. Ludwig Momann

The following were appointed to the Owners’ Meeting:

On 1 January 2015 Mr. Norbert Dierkes
On 6 November 2015 Mr. Rolf Christiansen
On 1 January 2016 Ms. 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
Sparkassenverband Niedersachsen

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Concept and composition of pages 1 to 19:
HGB Hamburger Geschäftsberichte GmbH & Co. KG, Hamburg

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Financial calendar 2016:

7 April 2016	Release of results as at 31 December 2015
26 May 2016	Release of results as at 31 March 2016
25 August 2016	Release of results as at 30 June 2016
24 November 2016	Release of results as at 30 September 2016

NORD/LB

Die norddeutsche Art.

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Status 04/2016