NORD/LB

Die norddeutsche Art.

Disclosure Report in accordance with the EU Capital Requirements Regulation (CRR)

as at 31 December 2016

Finanzgruppe

The rounding of figures may result in minor differences in the totals and percentages calculated in this report.

1 Preamble

This report as at 31 December 2016 constitutes the disclosure of qualitative and quantitative information of the NORD/LB Group required in accordance with the CRR by Norddeutsche Landesbank Girozentrale, Hannover, (NORD/LB) as the superordinate institute of the NORD/LB Group. This report does not include disclosures concerning the remuneration policy in accordance with art. 450 of the CRR in conjunction with the Institute Remuneration Act (Institutsvergütungsverordnung). These disclosures are made in a separate Remuneration Report which is published on our website at www.nordlb.com/nordlb/investor-relations/reports/. The same applies for information on the Indicators of Global Systemic Importance as per art. 441 of the CRR. The additional disclosure requirements defined in § 26a of the German Banking Act (country-by-country reporting, return on capital) are published in a the NORD/LB Group Annual Report, section "Further Information".

The Disclosure Report also applies for Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (Bremer Landesbank) and Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg (NORD/LB Luxembourg). For Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (Deutsche Hypo), as a subsidiary of NORD/LB, use is made of the waiver option of art. 7 para. 1 of the CRR, which allows the parent institute to exempt subsidiary institutes from some requirements at individual institute level in accordance with art. 6 para. 1 of the CRR. There is therefore no disclosure requirement at individual institute level for Deutsche Hypo.

The Disclosure Report is an additional document supplementing the Annual Report of the NORD/LB Group and the individual annual reports of the institutes that belong to the Group. In particular information concerning capital and the risk types specified by the CRR is disclosed. Quantitative disclosures contained in this report are based on the International Financial Reporting Standards (IFRS), which constituted the basis for preparing regulatory reports in accordance with the CRR in the NORD/LB Group.

For further information about risk, and in particular about the extensive reporting on the organisation of risk management including the risk control models used, reference is made to the Management Report of the NORD/LB Group, Basic Information about the NORD/LB Group and the Forecast, Opportunities and Risk Report. Here a detailed account is given on risk developments for each significant type of risk in the period under review and an outlook for developments anticipated in future.

The Disclosure Report is published in accordance with art. 434 of the CRR on our website at www.nordlb.com/nordlb/investor-relations/reports/.

2 Scope

Norddeutsche Landesbank Girozentrale Anstalt öffentlichen Rechts based in Hanover, Braunschweig and Magdeburg is the parent institute of the NORD/LB Group and as such meets the requirements of the CRR at consolidated level. The basis for this is the regulatory basis of consolidation in accordance with § 10 a para. 1 of the German Banking Act in conjunction with art. 18 of the CRR.

For accounting purposes, however, the IFRS basis of consolidation applies. Due to the different requirements of regulatory law and accounting standards concerning the companies to be included in the basis of consolidation, the two bases of consolidation differ.

The scope of the regulatory basis of consolidation includes, besides NORD/LB, 28 other companies in which NORD/LB holds a direct or indirect interest. Besides NORD/LB, these include three banks, 18 financial companies, three financial services institutes, three providers of support services and one investment company. In terms of regulatory law, nine of these companies are fully consolidated. 19 companies are exempted in accordance with art. 19 of the CRR from inclusion in the basis of consolidation under regulatory law.

In the basis of consolidation under commercial law, 40 subsidiaries and two investment funds are fully consolidated alongside the parent company NORD/LB. Two joint ventures, ten affiliated companies and one investment fund are accounted for using the equity method.

Table 1 provides an overview of the companies included in the basis of consolidation under regulatory law and the companies classified as significant or key investments from a risk point of view in NORD/LB's regular analysis of investments. The table also shows how the shares in these companies are treated for the purposes of Group accounting in accordance with IFRSs and for regulatory law in accordance with the CRR. With regard to the materiality concept for investments, reference is made to section 5.2.2 in this report. A comprehensive list of shareholdings including a full overview of the companies included in the IFRS basis of consolidation can be found in the notes to the consolidated financial statements (see Note 84).

Table 1: Consolidation matrix for the NORD/LB Group

Classification	Name	Regulatory treatment: Consolidation	Regulatory treatment: Considered in the threshold method	Regulatory treatment: Risk-weighted investments	IFRS consolidation: Full	IFRS consolidation: At equity	IFRS consolidation: Not consolidated	Internal classification of materiality: Significant investment	Internal classification of materiality: Important investment	Internal classification of materiality: Holding company
Bank (parent company)	Norddeutsche Landesbank Girozentrale	●			●					
Bank	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –	●			●			●		
Bank	Norddeutsche Landesbank Luxembourg S. A. Covered Bond Bank	●			●			●		
Bank	Deutsche Hypothekenbank (Actien-Gesellschaft)	●			●			●		
Finance company	Nieba GmbH	●			●					●
Finance company	NORD/LB Asset Management Holding GmbH	●			●			●		
Provider of support services	KreditServices Nord GmbH	●			●					
Investment company	NORD/LB Asset Management AG	●			●				●	
Finance company	TLN Beteiligung Anstalt des öffentl. Rechts & Co. KG	●			●					●
Financial services institute	BLB Leasing GmbH	●			●				●	
Insurance company	Öffentliche Lebensversicherung Braunschweig		●			●		●		
Insurance company	Öffentliche Sachversicherung Braunschweig		●			●		●		
Bank	LBS Norddeutsche Landesbausparkasse Berlin-Hannover		●			●			●	
Bank	DekaBank Deutsche Girozentrale		●				●		●	
Other company	Luni Productions GmbH & Co. KG			●			●		●	
Other company	Toto-Lotto Niedersachsen GmbH			●		●			●	

The significant companies of the NORD/LB Group from a risk point of view are NORD/LB, Bremer Landesbank, NORD/LB Luxembourg and Deutsche Hypo.

The four significant Group companies emphasize an independent market presence by focussing on their own products and regions while, at the same time, the close ties within the Group represent a significant factor for success. Below is a description of each institute.

NORD/LB is a registered public institute based in Hanover, Braunschweig and Magdeburg. Its head office is in Hanover. NORD/LB is the state bank (landesbank) for the federal states of Lower Saxony and Saxony-Anhalt. In these two federal states and in Mecklenburg-Western Pomerania the Bank performs the functions of a central and clearing bank for the savings banks (Girozentrale). NORD/LB operates in the segments of Private and Commercial Customers, Corporate Customers, Markets, Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers.

Bremer Landesbank with its headquarters in Bremen sees itself as a universal bank acting as a regional commercial bank and also conducts special banking transactions which extend beyond the Region while at the same time it maintains its function as a Landesbank and central bank for the savings banks. Its core business region is North West Germany, from where the bank supports its regional and supra-regional customers in Europe. On 7 November, NORD/LB acquired all Bremer Landesbank shares held by the Free Hanseatic City of Bremen and the Savings Banks Association of Lower Saxony, with legal effect from 1 January 2017. The share acquisition took effect on 1 January 2017 subject to the conditions precedent, including the approval of the German Federal Cartel Office, the revision of the state treaty and the approval of the Supervisory Board and Owners' Meeting. In connection with the acquisition of all shares of Bremer Landesbank by NORD/LB, the two companies concluded a control agreement with loss pass-through rights in January 2017. In addition, NORD/LB issued a unrestricted comfort letter in favour of Bremer Landesbank.

NORD/LB Luxembourg S.A. Covered Bond Bank based in Luxembourg is a 100 per cent subsidiary of NORD/LB. It is a specialist bank and as issuer of Lettres de Gage publiques (covered bonds under the Luxemburg law) the bank generates added value to the refinancing of NORD/LB Group's core business activities. The bank has market access to international money and capital markets with sales activities of fixed income and structured products of NORD/LB Group for Europe. In loan business the bank focuses on floating loans, fixed term loans with short maturity, bilateral credit facilities and complex syndicated loans by taking over the function of facility agent.

The main business area of Deutsche Hypo is commercial real-estate financing. The focus lies on direct financing and business ventures with professional real-estate investors. As a part of the NORD/LB Group, Deutsche Hypo is in charge of issuing mortgage Pfandbriefe. The bank is headquartered in Hanover and has a European orientation in its business segments. NORD/LB holds all the share capital and the voting rights of Deutsche Hypo.

With regard to this Disclosure Report, in accordance with the principle of materiality, only the Group's significant companies from a risk point of view are included as the basis for disclosure. The companies are chosen based on the materiality concept to establish the overall risk profile, which is reviewed and adjusted regularly and as and when required. With regard to the rules of corporate governance concerning the selection of members of the governing bodies and capital, the disclosures are made on the basis of the full regulatory basis of consolidation.

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 article 7 (1) of the CRR ,previously § 2a (1) of the German Banking Act. The control and profit and loss transfer agreement concluded for an indefinite period of time by Deutsche Hypo and NORD/LB constitutes the basic prerequisite for this. At the individual institute level of Deutsche Hypo, following the announcement of the regulatory banking regulations concerning capital adequacy requirements at institute level, the requirements concerning the reporting of large exposures, the calculation and ensuring of risk-bearing capacity, the formulation of strategies and the establishment of processes to identify, assess, control, monitor and communicate risks were transferred to NORD/LB as the parent company.

Further utilisation of exception provisions relating to the fulfilment of individual CRR requirements relating to subsidiary Group member institutes as defined as a waiver provision did not exist at NORD/LB as of the reporting date.

On 19 January 2017 an application was made by Bremer Landesbank to the relevant supervisory authority for a waiver as defined in section 2a (1) and (2) of the German Banking Act in conjunction with article 7 (1) of the CRR. With the approval of the application Bremer Landesbank is exempted from certain supervisory requirements concerning its own funds at level of the individual institution. The application was approved on 31 March 2017 following approval of the consolidated financial statements.

As at the reporting date there were no subsidiaries in accordance with article 436 d) of the CRR that were not consolidated and whose capital was less than the required amount.

Regarding existing or foreseeable material factual or legal restrictions for the immediate transfer of capital or the repayment of liabilities within the NORD/LB Group in accordance with article 436 c) of the CRR, reference is made to the disclosures relating to IFRS 12.13 in the notes to the consolidated financial statements (Note 80).

3 Risk Management Objectives and Policy

The responsible handing 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 risk strategy provisions of NORD/LB Group 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 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 handbook and in the risk handbooks and relevant documents of the individual companies.

In the NORD/LB Group, the 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 and Deutsche Hypo.

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, reputational 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.

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.

According to Art. 435 para. 1 of the CRR, the Managing Board of NORD/LB confirms the appropriateness of the risk management procedures with regard to the risk profile and strategy.

Structure and organisation of the risk-management function

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 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 in the NORD/LB Group.

Risk reporting and measuring systems

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 risk-bearing capacity model describes the regular quantitative reconciliation of risk potentials from material risks with the capital available to cover such risks. As part of the reconciliation, and in addition to the aggregate risk analysis (primary criterion), risk-strategy guidelines (in particular) are monitored in the form of limits at the level of the respective material risk types (secondary criterion).

The aim is to provide qualitative and quantitative evidence about the adequacy of capital in current and future analyses. In conjunction with the established sub-processes of risk controlling, risk monitoring and risk reporting within the risk management process, it is ensured that the responsible committees are informed promptly about the risk-bearing capacity of NORD/LB Group companies of material relevance for risk and of the NORD/LB Group as a whole.

Consideration of risk-bearing capacity results under going-concern or business case assumptions is crucial for providing evidence about capital adequacy.

The overarching principle for this control committee is the ability to continue business based on the existing business model while complying with external requirements and with ongoing coverage of all risks to be considered within the scope of risk-bearing capacity. In the going-concern approach, identified risk potential is compared with available capital with due consideration of regulatory capital requirements.

An additional consideration level is the gone-concern approach as an auxiliary stimulus condition, taking account of creditor protection as part of a wind-up scenario. Risks are estimated similarly to the business case, but including credit-spread risks as well as hidden liabilities from investment securities. The examination of capital ratios in the form of a comparison of external requirements (TARGET) and what actually occurs (ACTUAL) forms another level of consideration within the risk-bearing capacity model as a strict auxiliary condition.

The design of the risk-bearing capacity model enables direct triggers for controlling to be gleaned from the applicable consideration level (going concern or business case). The external requirements regarding the necessary capital ratios are strict auxiliary conditions at this consideration level.

Risk concentrations are also taken into account when determining risk-bearing capacity, both within a risk type and across risk types. Concentrations within a risk type generally relate to credit risks as the most significant risk type for NORD/LB. These have been integrated via the internal credit risk model into the RBC model. A consolidated analysis of credit and investment risks took place in the integrated counterparty risk model as at 31 December 2016.

Concentrations across risk types are examined by means of stress tests. As part of risk controlling for the bank as a whole, NORD/LB purposefully employs stress-test instruments to analyse the effect of potential adverse scenarios, and derive appropriate actions for risk management.

Guidelines for risk hedging and mitigation

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

Securing and improving the NORD/LB Group's own market position is the key motivation behind its **investment** policy. The general purpose of investments is to strengthen universal banking activities and fulfil joint tasks resulting from the role of federal state bank (Landesbank) and central savings bank. To support the NORD/LB Group's business model, there is a deliberate focus on banks and financial companies. 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.

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.

The trading divisions of Treasury, Markets, Bank Assets Allocation and Credit Asset Management (CAM) are responsible for managing market-price risks at NORD/LB. As part of their Global Head function, the trading divisions are also responsible for trading activities conducted at the London, New York, Singapore and Shanghai foreign branches. Trading transactions are processed and monitored in separate divisions. Management of market-price risks is supported by the Asset Liability Committee (Group ALCO). The Group ALCO is an advisory body that generally meets on a monthly basis at NORD/LB level and quarterly at NORD/LB Group level. It supports strategic management of market and liquidity positions as well as management of investment portfolios with the aim of optimising the profitability of capital tied up in positions at NORD/LB Group level. For this purpose, recommendations for action are developed as a basis for decision-making by the head of Financial Markets.

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 liquidity-spread 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.

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).

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 and a lasting improvement sought.

Corporate governance rules
Tables 2 and 3 show the management and supervisory mandates of the members of the Supervisory Board and the Managing Board as at 31 December 2016. The privileging options resulting from § 25 d para. 3 of the German Banking Act were used in establishing the number of mandates.

Table 2: Mandates of the Supervisory Board members

Name	Title	First name	Management functions	Supervisory functions
Schneider		Peter-Jürgen	0	4
Mang		Thomas	0	4
Schröder		André	0	4
Berg		Frank	1	2
Dierkes		Norbert	1	1
Döpke		Edda	0	1
Eller	Dr.	Elke	1	1
Hildebrandt		Frank	0	1
Knorre	Prof. Dr.	Susanne	0	4
Mädge		Ulrich	0	4
Markurth		Ulrich	0	4
Momann		Ludwig	1	2
Niewisch-Lennartz		Antje	0	2
Oppermann		Frank	0	1
Pedersen		Freddy	0	1
Reinbrecht		Jörg	0	2
Rieke		Stefanie	0	1
von Nathusius		Felix	1	1

Table 3: Mandates of the Managing Board members

Name	Title	First name	Management functions	Supervisory functions
Dunkel	Dr.	Gunter	1	2
Schulz		Christoph	1	1
Holm	Dr.	Hinrich	1	3[1)]
Brouzi		Ulrike	1	2
Bürkle		Thomas	1	1

1) The supervisory authorities have approved an additional supervisory mandate.

The composition of the Supervisory Board is defined in § 10 of the Statutes of NORD/LB. Besides the ex officio members and the representatives of the bank's employees, only seven members can be chosen freely. The power to appoint these members lies with the owners of NORD/LB (five members from the federal state of Lower Saxony and two members from the Association of the Savings Banks of Lower Saxony (SVN)). The bank is therefore not able to actively shape the composition of the Supervisory Board in terms of personnel.

The Supervisory Board has regulated the process of appointing and re-appointing Managing Board members with an appropriate guideline passed by the Supervisory Board, which also considers criteria for the professional competence of potential candidates. For all Managing Board members including the subsidiaries and all senior management positions, NORD/LB has a succession plan with several candidates for virtually every position. For the Managing Board members this plan is based on specific requirement profiles. The succession plan is updated once a year by the Chairman of the Managing Board and the Chairman of the Supervisory Board is notified.

NORD/LB's Supervisory Board has formed a Risk Committee. This committee held eight meetings in 2016.

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 a quarterly basis. These reports prepared at individual institute level meet the requirements of § 27 of the Covered Bond Act (Pfandbriefgesetz).

4 Capital Structure and Adequacy

4.1 Method used for Balance-Sheet Reconciliation

Below a reconciliation of the equity items – including the regulatory adjustment items and deductions – with the audited balance sheet is performed in accordance with art. 437 (1) a) of the CRR. The table only shows items that are relevant for regulatory capital. For a description of NORD/LB's approach to assessing the adequacy of its internal capital to support current and future activities as per article 438 (a) of the CRR, please refer to section 3 Risk Management Objectives and Policy, page 15.

The difference between IFRS and FinRep values is mainly due to the different bases of consolidation under commercial law and regulatory law.

Table 4: Reconciliation statement

Balance Sheet

Assets	IFRS 31 Dec. 2016 (in € million)	FinRep 31 Dec. 2016 (in € million)	Reference
Financial assets at fair value through profit or loss	12 526	12 541	[1]
of which: non-significant investments in Common Equity Tier 1 capital	–	1	9
Financial assets	31 574	33 102	
of which: significant investments in Common Equity Tier 1 capital	–	219	10
of which: non-significant investments in Common Equity Tier 1 capital	–	219	9
of which: non-significant investments in Additional Tier 1 capital	–	35	9
of which: non-significant investments in Tier 2 capital	–	113	9
Shares in companies accounted for using the equity method	285	266	11 [3]
of which: Goodwill	–	13	6
Intangible assets	154	154	6
Deferred income taxes	786	3 826	
of which: deferred tax assets not due to temp. differences (losses c/f)	–	0	7
of which: deferred tax assets due to temp. differences	–	3 826	8

Liabilities	IFRS 31 Dec. 2016 (in € million)	FinRep 31 Dec. 2016 (in € million)	Reference
Financial liabilities at fair value through profit or loss	15 056	15 055	1) 2)
Negative fair values from hedge accounting derivatives	2 945	2 945	2)
Deferred income taxes	126	3 104	
of which: deferred tax liabilities relating to intangible assets	–	18	6
of which: deferred tax liabilities not due to temp. differences	–	0	7
of which: deferred tax liabilities due to temp. differences	–	3 009	8
Subordinated capital	3 984	3 975	12
Equity			
Subscribed capital	1 607	1 607	1
Capital reserves	3 332	3 332	2
Retained earnings	939	1 138	3
Revaluation reserve	375	321	4
Currency translation reserve	– 6	– 6	5
Additional equity components	50	50	
Equity attributable to the owners of NORD/LB	6 297	6 442	
Non-controlling interests	– 256	210	
	6 041	**6 652**	

1) The financial assets and liabilities at fair value through profit or loss include written credit derivatives for finance companies with a nominal value of € 10 million.
2) Debit value adjustments (DVA) result from original and derivative liabilities. As at the reporting date DVA total € 13 million.
3) Shares in finance companies, which are accounted for in the consolidated financial statements using the equivalence method in accordance with § 32 of the German Solvency Regulation, are included in capital calculation in the threshold process.

The NORD/LB Group's **capital** as at 31 December 2016 totals € 9.777 billion. It comprises Tier 1 capital in the amount of € 7.122 billion and Tier 2 capital in the amount of € 2.656 billion. The Tier 1 capital comprises Common Equity Tier 1 capital instruments (€ 6.752 billion) and Additional Tier 1 capital instruments (€ 369 million).

The **Common Equity Tier 1 capital** consists of paid-in capital instruments (€ 1.607 billion), premiums (€ 3.322 billion), retained earnings including interim profits (€ 1.564 billion), cumulative other comprehensive income (€ – 125 million) and eligible instruments of Common Equity Tier 1 capital of subsidiaries (€ 207 million). In addition, as at the reporting date grandfathered instruments in the amount of € 37 million were considered in Common Equity Tier 1 capital.

Regulatory adjustment items (prudential filters) for the reversal of accounting-specific matters that had previously increased or reduced the Common Equity Tier 1, but could be recognised under regulatory law, result in a reduction in Common Equity Tier 1 in the total amount of € 68 million. Deductions reduce the Common Equity Tier 1 by the total amount of € 580 million. Due to transitional provisions, the Common Equity Tier 1 is increased by € 788 million. The Common Equity Tier 1 has therefore increased in total by € 140 million.

The **Additional Tier 1 capital** contains, besides € 24 million eligible instruments of Additional Tier 1 capital of the subsidiaries, only effects from the CRR transitional provisions. The effects of the transitional provisions result in a positive balance in Additional Tier 1 capital of € 346 million.

The **Tier 2 capital** consists of paid-in capital instruments (€ 2.568 billion) and eligible instruments of Tier 2 capital of subsidiaries (€ 282 million). Furthermore, an amount of € 267 million in the Tier 2 capital results from an excess of valuation allowances for risk positions in default.

Deductions reduce the Tier 2 capital by € 10 million. In addition, the transitional provisions result in a reduction in Tier 2 capital of € 452 million.

Table 5 provides a breakdown of the regulatory capital during the transitional period.

Table 5: Structure of capital during the transitional period

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Capital instruments and the associated premium	4 930	Art. 26 (1), 27, 28, 29 of the CRR in conjunction with EBA breakdown in accordance with Art 26 (3) of the CRR		
of which: subscribed capital	1 607	EBA breakdown in accordance with Art 26 (3) of the CRR		1
of which: Capital reserves	3 322	EBA breakdown in accordance with Art 26 (3) of the CRR		2
Retained earnings	2 832	Art. 26 (1) (c) of the CRR		3
Accumulated other comprehensive income (and other reserves, to take account of non-realised profits and losses in accordance with the applicable accounting standards)	– 125	Art. 26 (1) of the CRR		
of which: Revaluation reserve	– 114			4
of which: Currency translation reserve	– 11			5
Amount of the items as defined by art. 484 para. 3 of the CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire	37	Art. 486 (2) of the CRR		
State capital allocations with grandfathering rights to 1 January 2018	N/A	Art. 483 (2) of the CRR		
Minority interest	207	Art. 84, 479, 480 of the CRR	0	
Interim profit independently audited, less all foreseeable levies or dividends	0	Art. 26 (2) of the CRR		
Common Equity Tier 1 capital (CET1) before regulatory adjustments	7 880			

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Common Equity Tier 1: regulatory adjustments				
Additional valuation adjustments (negative amount)	– 55	Art. 34, 105 of the CRR		
Intangible assets (net of related tax liability) (negative amount)	– 90	Art. 36 (1) (b), 37, 472 (4) of the CRR	– 60	6
Deferred tax assets dependent on future profitability, less claims resulting from temporary differences (less corresponding tax liabilities if the conditions of art. 38 para. 3 are satisfied) (negative amount)	0	Art. 36 (1) (c), 38, 472 (5) of the CRR	0	7
Reserves from profits or losses from transactions for hedging payment flows accounted for at fair value	0	Art. 33 (a) of the CRR		
Negative amounts from the calculation of anticipated losses	– 136	Art. 36 (1) (d), 40, 159, 472 (6) of the CRR	– 91	
Increase in capital resulting from securitised assets (negative amount)	0	Art. 32 (1) of the CRR		
Profits dependent on changes to the Bank's credit rating or losses from the Bank's liabilities at fair value through profit or loss	0	Art. 33 (b) of the CRR		
Profits and losses from derivative liabilities at fair value resulting from the Bank's own credit risk	– 8	Art. 33 (c) of the CRR	– 5	
Assets from pension funds with defined benefit (negative amount)	0	Art. 36 (1) (e), 41, 472 (7) of the CRR	0	
Direct and indirect positions of a bank in its own instruments of Common Equity Tier 1 (negative amount)	0	Art. 36 (1) (f), 42, 472 (8) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the Bank's capital (negative amount)	0	Art. 36 (1) (g), 44, 472 (9) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions) (negative amount)	0	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79,472 (10) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the Bank holds a significant investment (more than 10 % and less eligible sales positions) (negative amount)	0	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 to 3), 79, 470, 472 (11) of the CRR	0	

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Exposure from the following items allocated a risk weighting of 1250% if the Bank alternatively deducts this exposure from the amount of the items of the Common Equity Tier 1	0	Art. 36 (1) (k) of the CRR		
of which: qualified investments outside the financial sector (negative amount)	0	Art. 36 (1) (k) (i), 89, 90, 91 of the CRR		
of which: securitisation exposures (negative amount)	0	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 of the CRR		
of which: Advance payments (negative amount)	0	Art. 36 (1) (k) (iii), 379 (3) of the CRR		
Deferred tax assets dependent on future profitability resulting from temporary differences (above the threshold of 10, less corresponding tax liabilities if the conditions of art. 38 para. 3 are satisfied) (negative amount)	– 128	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) of the CRR	– 75	8
Amount above the 15% threshold (negative amount)	0	Art. 48 (1) of the CRR		
Direct and indirect positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the Bank holds a significant investment	0	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) of the CRR		
of which: deferred tax assets dependent on future profitability resulting from temporary differences	0	Art. 36 (1) (c), 38,48 (1) (a), 470, 472 (5) of the CRR		
Losses from the current financial year (negative amount)	– 761	Art. 36 (1) (a), 472 (3) of the CRR	– 507	
Foreseeable tax burden on items of Common Equity Tier 1 (negative amount)	0	Art. 36 (1) (l) of the CRR		
Regulatory adjustments of Common Equity Tier 1 relating to amounts subject to the pre-CRR treatment				
Regulatory adjustments in connection with non-realised profits and losses in accordance with articles 467 and 468 of the CRR	50	Art. 467, 468 of the CRR		
of which: non-realised losses	49			
of which: non-realised losses from government bonds	1			
Amount to be deducted from or added to the Common Equity Tier 1 relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	0	Art. 481 of the CRR		
of which: Other deductions from Common Equity Tier 1	0	Art. 481 of the CRR		
Amount of the items deductible from the items of Additional Tier 1 capital that exceed the Bank's Additional Tier 1 capital (negative amount)	0	Art. 36 (1) (j) of the CRR		
Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	– 1 128			
Common Equity Tier 1 capital (CET1)	6 752			

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Additional Tier 1 capital (AT1): instruments				
Capital instruments and the associated premium	0	Art. 51, 52 of the CRR		
of which: classed as capital in accordance with applicable accounting standards	N/A			
of which: classed as liabilities in accordance with applicable accounting standards	N/A			
Amount of the items as defined by article 484 para. 4 plus the associated premium, whose mandatory inclusion in the CET 1 will expire	451	Art. 486 (3) of the CRR		
State capital allocations with grandfathering rights to 1 January 2018	N/A	Art. 483 (3) of the CRR		
Instruments of the qualified Tier 1 capital included in the consolidated Additional Tier 1 capital (including majority shareholdings not included in Common Equity Tier 1) issued by subsidiaries and held by third parties	24	Art. 85, 86, 480 of the CRR	0	
of which: instruments issued by subsidiaries whose mandatory inclusion will expire	N/A	Art. 486 (3) of the CRR		
Additional Tier 1 capital (AT1) before regulatory adjustments	475			
Additional Tier 1 capital (AT1): regulatory adjustments				
Direct and indirect positions of a bank in its own instruments of Additional Tier 1 capital (negative amount)	0	Art. 52 (1) (b), 56 (a), 57, 475 (2) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the Bank's capital (negative amount)	0	Art. 56 (b), 58, 475 (3) of the CRR	0	
Direct and indirect positions of the Bank in Additional Tier 1 instruments of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions) (negative amount)	0	Art.56 (c), 59, 60, 79, 475 (4) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in Additional Tier 1 instruments of companies in the financial sector in which the Bank holds a significant investment (more than 10 % and less eligible sales positions) (negative amount)	0	Art. 56 (d), 59, 79, 475 (4) of the CRR	0	
Regulatory adjustments of Additional Tier 1 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)				

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Common Equity Tier 1 during the transitional period in accordance with article 472 of Regulation (EU) No. 575/2013	– 105	Art. 472, 472 paras. 3a, 4, 6, 8(a), 9, 10a and 11a of the CRR		
of which: Intangible assets	– 60			
of which: shortfall between valuation allowances and expected loss	– 45			
Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Tier 2 capital during the transitional period in accordance with article 475 of the Regulation (EU) No. 575/2013	0	Art. 477, 477 paras. 3 and 4a of the CRR		
Amount to be deducted from or added to the Additional Tier 1 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	0	Art. 467, 468, 481 of the CRR		
Amount of the items deductible from the items of Tier 2 capital that exceed the Bank's Tier 2 capital (negative amount)	0	Art. 56 (e) of the CRR		
Total regulatory adjustments to Additional Tier 1 capital (AT1)	– 105			
Additional Tier 1 capital (AT1)	369			
Tier 1 capital (T1 = CET1 + AT1)	7 122			
Tier 2 capital (T2): Instruments and reserves				
Capital instruments and the associated premium	2 568	Art. 62, 63 of the CRR		12
Amount of the items as defined by article 484 para. 5 plus the associated premium, whose mandatory inclusion in the T2 will expire	0	Art. 486 (4) of the CRR		
State capital allocations with grandfathering rights to 1 January 2018	N/A	Art. 483 (4) of the CRR		
Qualifying capital instruments included in the consolidated Tier 2 capital (including as yet unrecorded minority shareholdings and AT1 instruments) issued by subsidiaries and held by third parties	282	Art. 87, 88, 480 of the CRR	0	
of which: instruments issued by subsidiaries whose mandatory inclusion will expire	0	Art. 486 (4) of the CRR		
Credit-risk adjustments	267	Art. 62 (c) and (d) of the CRR		
Tier 2 capital (T2) before regulatory adjustments	3 118			
Tier 2 capital (T2): regulatory adjustments				
Direct and indirect positions of a bank in its own instruments of Tier 2 capital and subordinated loans (negative amount)	– 10	Art. 63 (b) (i), 66 (a), 67, 477 (2) of the CRR	0	

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Direct, indirect and synthetic positions of the Bank in Tier 2 capital or subordinated loans of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the Bank's capital (negative amount)	0	Art. 66 (b), 68, 477 (3) of the CRR	0	
Direct and indirect positions of the Bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds no significant investment (less than 10 % and less eligible sales positions) (negative amount)	0	Art. 66 (c), 69, 70, 79, 477 (4) of the CRR	0	
of which: new positions not subject to transitional provisions	N/A			
of which: positions existent prior to 1 January 2013 and subject to transitional provisions	N/A			
Direct, indirect and synthetic positions of the Bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds a significant investment (more than 10 % and less eligible sales positions) (negative amount)	0	Art. 66 (d), 69, 79, 477 (4) of the CRR	0	
Regulatory adjustments of Tier 2 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)				
Remaining amounts deductible from Tier 2 capital relating to items deductible from the Common Equity Tier 1 during the transitional period in accordance with article 472 of Regulation (EU) No. 575/2013	– 45	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) of the CRR		
of which: shortfall between valuation allowances and expected loss	– 45			
Remaining amounts deductible from Tier 2 capital relating to items deductible from the additional Common Equity Tier 1 during the transitional period in accordance with article 475 of the Regulation (EU) No. 575/2013	0	Art. 475, 475 (2) (a), (3), (4) (a) of the CRR		
Amount to be deducted from or added to the Tier 2 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	– 407	Art. 467, 468, 481 of the CRR		
of which: adjustments due to grandfathering provisions	– 407			
Total regulatory adjustments to Tier 2 capital (T2)	– 462			
Tier 2 capital (T2)	2 656			
Total capital (TC = T1 + T2)	9 777			

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Risk-weighted assets				
Risk-weighted assets relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	0			
of which: items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) of the CRR		
of which: items not deductible from the items of Additional Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	N/A	Art. 475, 475 (2) (b), (2) (c) and (4) (b) of the CRR		
of which: items not deductible from the items of Tier 2 capital (Regulation (EU) No. 575/2013, remaining amounts)	N/A	Art. 477, 477 (2) (b), (2) (c), (4) (b) of the CRR		
Total risk-weighted assets	59 896			
of which: Credit risk	51 808			
of which: credit-risk-related valuation adjustment (CVA)	894			
of which: market-price risk	2 081			
of which: operational risk	5 112			
Equity ratios and buffers				
Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure)	11.3	Art. 92 (2) (a), 465 of the CRR		
Tier 1 capital ratio (expressed as a percentage of the total exposure)	11.9	Art. 92 (2) (b), 465 of the CRR		
Regulatory capital ratio (expressed as a percentage of the total exposure)	16.3	Art. 92 (2) (c) of the CRR		
Bank-specific requirements relating to the capital buffer (minimum requirement regarding Common Equity Tier 1 ratio in accordance with art. 92 para. 1 a, plus the requirements regarding the capital-maintenance buffer and counter-cyclical capital buffer, systemic-risk buffer and buffer for systemically important institutions (G-SIIs or O-SIIs), expressed as a percentage of the total exposure)	5.1	Art. 128, 129, 130 of the CRD IV		
of which: capital-maintenance buffer	0.625			
of which: counter-cyclical capital buffer	0.013			
of which: systemic-risk buffer	0			
of which: buffer for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIS)	0	Art. 131 of the CRD IV		
Available Common Equity Tier 1 for the buffers (expressed as percentage of the total exposure)	6.8	Art. 128 of the CRD IV		

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Amounts under the deduction thresholds (before risk weighting)				
Direct and indirect positions of the Bank in capital instruments of companies in the financial sector in which the institute holds no significant investment (less than 10 % and less eligible sales positions)	423	Art. 36 (1) (h), 45, 46, 472 (10) , 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) of the CRR		9
Direct and indirect positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the Bank holds a significant investment (more than 10 % and less eligible sales positions)	219	Art. 36 (1) (i), 45, 48, 470, 472 (11) of the CRR		10, 11
Deferred tax assets dependent on future profitability resulting from temporary differences (below the threshold of 10 %, less corresponding tax liabilities if the conditions of art. 38 para. 3 are satisfied)	816	Art. 36 (1) (c), 38, 48 470, 472 (5) of the CRR		
Applicable caps for the inclusion of valuation allowances in the Tier 2 capital				
Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the standard approach (before application of the cap)	0	Art. 62 of the CRR		
Cap for inclusion of credit-risk adjustments in the Tier 2 capital within the standard approach	66	Art. 62 of the CRR		
Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the approach based on internal assessments (before application of the cap)	267	Art. 62 of the CRR		
Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	267	Art. 62 of the CRR		
Equity instruments subject to the transitional provisions (only applicable from 1 January 2013 to 1 January 2022)				
Current cap for CET 1 instruments subject to the transitional provisions	37	Art. 484 (3), 486 (2), (5) of the CRR		
Amount excluded from CET 1 due to the cap (amount above cap after reconciliations and maturities)	0	Art. 484 (3), 486 (2), (5) of the CRR		
Current cap for AT 1 instruments subject to the transitional provisions	532	Art. 484 (4), 486 (3), (5) of the CRR		
Amount excluded from AT 1 due to the cap (amount above cap after reconciliations and maturities)	0	Art. 484 (4), 486 (3), (5) of the CRR		
Current cap for T2 instruments subject to the transitional provisions	0	Art. 484 (5), 486 (4), (5) of the CRR		
Amount excluded from T2 due to the cap (amount above cap after reconciliations and maturities)	0	Art. 484 (5), 486 (4), (5) of the CRR		

4.2 Main Features of the Capital Instruments

The table "Main Features of the capital instruments" is published due to its size as a separate Excel file alongside the Disclosure Report on the NORD/LB website at https://www.nordlb.com/nordlb/investor-relations/reports/.

The disclosure of the full terms and conditions of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments required in accordance with article 437 para. 1 c) of the CRR is made, provided that these are not the result of bilateral agreements, either on NORD/LB's website https://www.nordlb.com/nordlb/investor-relations/investor-information/refinancing/debt-issuance-programme/ or in accordance with article 434 para. 2 of the CRR under listing requirements on the websites of the stock exchanges where the issues are listed (depending on the specific issue, e. g. the Hanover or Luxembourg Stock Exchange).

4.3 Capital Adequacy

4.3.1 Capital Requirements by Risk Type

Table 6 shows the regulatory capital requirements in accordance with art. 438 and art. 445 of the CRR for the NORD/LB Group, broken down by significant risk types and the methods employed. The reduction of the capital requirements compared to the previous year is mainly induced rating-related due to changes within credit risks.

Table 6: Capital requirements

Credit risk (in € million)	Capital requirement 31 Dec. 2016	Capital requirement 31 Dec. 2015
1 Credit risks		
1.1 Credit risk – standard approach		
Central governments or central banks	15	17
Regional or local authorities	17	18
Other public institutions	19	21
Multilateral development banks	–	–
International organisations	–	–
Banks	9	7
Companies	220	221
Retail business	14	18
Positions collateralised with real estate	14	14
Risk positions in default	5	4
Very high-risk positions	1	4
Mortgage bonds issued by banks	3	3
Risk positions with banks and companies with a short-term credit rating	–	–
Collective investment undertakings (CIU)	–	–
Other positions	10	8
Total for credit risk – standard approach	**327**	**335**
1.2 IRB approaches		
Central governments or central banks	185	177
Banks	216	281
Companies – SMEs	328	301
Companies – special finance	1 412	1 695
Companies – other	1 170	1 077
Retail business collateralised with mortgages – SMEs	–	–
Retail business collateralised with mortgages – SMEs	13	12
Retail business – qualified, revolving	1	1
Retail business – other, SMEs	–	–
Retail business – other not including SMEs	22	23
Other non-loan-dependent assets	72	26
Total for IRB approaches	**3 420**	**3 594**
1.3 Securitisations		
Securitisations under the CRSA approach	–	–
of which: re-securitisations	–	–
Securitisations under the IRB approach	278	279
of which: re-securitisations	–	–
Total securitisations	**278**	**279**

Credit risk (in € million)	Capital requirement 31 Dec. 2016	Capital requirement 31 Dec. 2015
1.4 Investments		
Investments under the IRB approach	19	20
of which: internal model approach	–	–
of which: PD/LGD approach	–	–
of which: simple risk-weighting approach	19	20
of which: exchange-traded investments	–	–
of which: investments which are not exchange-traded but belong to a diversified investment portfolio	–	–
of which: other investments	19	20
Investments under the CRSA approach	94	117
of which: investment values in the case of continued use of the old methodology/grandfathering	–	63
Total investments	**113**	**137**
1.5 Risk-position amount for contributions to the default fund of a central counterparty	**6**	**6**
Total credit risks	**4 145**	**4 352**
2. Clearing risks		
Clearing risks in the banking book	–	–
Clearing risks in the trading book	0	–
Total clearing risks	**0**	**–**
3. Market-price risks		
Standard approach	56	76
of which: Interest-rate risks	49	69
of which: general and specific interest-rate risk (net interest position)	49	69
of which: specific interest-rate risk for securitisation exposures in the trading book	–	–
of which: specific interest-rate risk in the correlation trading portfolio	–	–
of which: share-price risks	–	–
of which: currency risks	7	6
of which: risks from commodity positions	0	–
Internal model approach	111	175
Total market-price risks	**166**	**251**
4. Operational risks		
Basic-indicator approach	–	–
Standard approach	409	419
Advanced measurement approach	–	–
Total operational risks	**409**	**419**
5. Total amount of risk positions for credit value adjustment	**72**	**73**
6. Total amount of risk positions relating to large loans in the trading book	**–**	**–**
7. Other	**–**	**–**
Other exposures	–	–
Total amount of capital requirements	**4 792**	**5 094**

4.3.2 Countercyclical Capital Buffer

In Tables 5 and 6 the geographical distribution of the credit risk positions relevant for the calculation of the anticyclical capital buffer as well as the amount of the institution-specific countercyclical capital buffer and the corresponding capital requirements are disclosed in accordance with art. 440 para 1 of the CRR.

Table 7: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	General credit risk positions		Trading book risk positions		Securitisation risk positions		Other risk positions	Capital requirements								
	Risk positions		Sum of long and short positions of trading book exposures – SA	Value of trading book exposures for internal models	Risk positions		Other assets, excluding credit obligations	of which: General credit risk positions	of which: Trading book risk positions	of which: Specific risks in the Correlation Trading Portfolio (CTP)	of which: Securitisation risk positions	of which: other assets, excluding credit obligations	Total	Own funds requirements weights per country	Country-specific countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate
(in € million)	SA	IRB			SA	IRB										
Egypt		0						0					0	0.00		
Andorra		401						5					5	0.00		
Antigua and Barbuda	0	3						1					1	0.00		
Argentina	0							0					0	0.00		
Australia	0	220	83			3		6	0		2		8	0.00		
Bahamas	0	62						5					5	0.00		
Bangladesh		19						3					3	0.00		
Belgium	0	170	22				0	4	1			0	4	0.00		
Bermuda	47	221						28					28	0.01		
Bosnia and Herzegovina	0	0						0					0	0.00		
Brazil	0	0						0					0	0.00		
Bulgaria		2	14					0	0				0	0.00		
Chile	0							0					0	0.00		
China	2	236						12					12	0.00		
Denmark	1	207	43					9	1				10	0.00		
Germany	3 419	42 678	4 013	0		6 669	681	1 974	20		60	55	2 109	0.60		
Dominican Republic	0							0					0	0.00		
Ecuador	0							0					0	0.00		
Estonia		32						1					1	0.00		
Finland		293	25					9	0				9	0.00		
France	4	2 810	346	0				83	3				86	0.02		
Gibraltar		13						0					0	0.00		
United Kingdom of Great Britain and Northern Ireland	855	4 782	119			354		131	1		5		137	0.04		
Greece	0	6						1					1	0.00		
Guernsey	6	201						9					9	0.00		
Honduras	0							0					0	0.00		
Hong Kong		202						6					6	0.00	0.006	0.000
India	0	27						1					1	0.00		
Indonesia		11						1					1	0.00		

(in € million)	General credit risk positions		Trading book risk positions		Securitisation risk positions		Other risk positions	Capital requirements								
	Risk positions		Sum of long and short positions of trading book exposures – SA	Value of trading book exposures for internal models	Risk positions		Other assets, excluding credit obligations	of which: General credit risk positions	of which: Trading book risk positions	of which: Specific risks in the Correlation Trading Portfolio (CTP)	of which: Securitisation risk positions	of which: other assets, excluding credit obligations	Total	Own funds requirements weights per country	Country-specific countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate
	SA	IRB			SA	IRB										
Iran		1						0					0	0.00		
Ireland	329	1 376	0					82	0				82	0.02		
Israel	2	0						0					0	0.00		
Italy	0	518	4			28		18	0		0		18	0.01		
Japan	0	41						1					1	0.00		
Jersey	14	655						20					20	0.01		
British Virgin Islands		112						7					7	0.00		
Cayman Islands	35	531						29					29	0.01		
Canada	10	913	51					21	0				21	0.01		
Kenya	0							0					0	0.00		
Columbia	0							0					0	0.00		
Republic of Korea		145						5					5	0.00		
Croatia	0	0						0					0	0.00		
Latvia	0	0						0					0	0.00		
Liberia	0	800						30					30	0.01		
Liechtenstein	1							0					0	0.00		
Lithuania	0	11						0					0	0.00		
Luxembourg	152	1 718	13					80	0				80	0.02		
Malaysia	1	63						2					2	0.00		
Malta		551						46					46	0.01		
Isle of Man	3	165						7					7	0.00		
Marshall Islands	8	1 526						125					125	0.04		
Mauritius		0						0					0	0.00		
Macedonia		0						0					0	0.00		
Mexico	0	375						19					19	0.01		
Mongolia	0							0					0	0.00		
Namibia	0							0					0	0.00		
New Zealand	0	131	38					1	0				2	0.00		
Netherlands	104	3 478	264	0		21		94	5		0		99	0.03		
Nigeria	0							0					0	0.00		
Norway	0	163	153					6	1				7	0.00	0.015	0.000
Oman		0						0					0	0.00		
Austria	2	387	62					12	0				12	0.00		
Panama	2	425						40					40	0.01		
Philippines	0	8						0					0	0.00		
Poland	1	184	1					4	0				4	0.00		
Portugal	0	53				6		3			0		3	0.00		
Romania	0	0	11					0	0				0	0.00		
Russian Federation	0	5						0					0	0.00		

	General credit risk positions		Trading book risk positions		Securitisation risk positions		Other risk positions	Capital requirements								
	Risk positions				Risk positions											
(in € million)	SA	IRB	Sum of long and short positions of trading book exposures – SA	Value of trading book exposures for internal models	SA	IRB	Other assets, excluding credit obligations	of which: General credit risk positions	of which: Trading book risk positions	of which: Specific risks in the Correlation Trading Portfolio (CTP)	of which: Securitisation risk positions	of which: other assets, excluding credit obligations	Total	Own funds requirements weights per country	Country-specific countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate
Sweden	23	389	69					14	0				15	0.00	0.015	0.000
Switzerland	16	697	26	0				17	2				20	0.01		
Serbiea		0						0					0	0.00		
Singapore	52	1 186	20				213	50	0			17	67	0.02		
Spain	169	501	64	0		11		16	1		0		17	0.00		
Sri Lanka		22											0			
Saint Vincent and the Grenadines		6						0					0	0.00		
South Africa	0							0					0	0.00		
Syria	0							0					0	0.00		
Thailand	0							0					0	0.00		
Trinidad and Tobago		7						0					0	0.00		
Czech Republic	0	60						2					2	0.00		
Tunisia		0						0					0	0.00		
Turkey	0	37						6					6	0.00		
Hungary	0	37						4					4	0.00		
Uruguay	0							0					0	0.00		
United Arab Emirates	0							0					0	0.00		
United States	211	3 564	66			1 377		185	4		14		203	0.06		
Cyprus	0	1 073	0					90					90	0.03		
Other countries	158	11	629			26		3			4		6	0.00		
Total	**5 629**	**74 518**	**6 136**	**0**	**–**	**8 497**	**895**	**3 328**	**40**	**–**	**85**	**72**	**3 525**	**1.00**	**0.036**	**0.000**

Table 8: Amount of institution-specific countercyclical capital buffer

Total risk exposure amount (in € million)	59 896
Institution-specific countercyclical capital buffer rate (in %)	0.013
Capital requirements (in € million)	8

4.3.3 Security Mechanisms at Association Level

Besides an adequate level of available capital for the NORD/LB Group, other mechanisms at association level are in place to secure the institute.

NORD/LB is a part of the security reserve of the landesbanks and giro centres and is therefore covered by the protection system of the Savings Bank Financial Group (Sparkassen-Finanzgruppe). In addition to the security reserve of the landesbanks and giro centres, this protection system comprises twelve other protection schemes (eleven savings bank guarantee funds and protection funds for Landesbausparkassen (regional building societies)) which have been consolidated in accordance with their statutes under the umbrella of the Deutscher Sparkassen- und Giroverband (DSGV) e.V. (German Association of Savings Banks and Girobanks).

The protection system combines the individual protection funds in a united protection system. The Savings Bank Financial Group thus assumes responsibility for the portfolio of its institutes and completely covers customers' deposits from its own resources (German Deposit Guarantee Act (Einlagensicherungsgesetz)). This makes the protection system a symbol of cooperation and internal stability of the Savings Bank Financial Group.

The aim of the protection scheme of the Savings Bank Financial Group is to recognise risks and critical situations among the member banks as early as possible and to initiate counter-measures. In this case the joint liability scheme operates a risk monitoring system with which the risk positions of participating institutes are monitored by the monitoring committees of their respective protection schemes. These committees in turn report to a central transparency committee which watches over the general risk situation of the joint liability scheme.

As a member of the security reserve for landesbanks and giro centres, as at the reporting date Bremer Landesbank is also covered by the protection system of the Savings Bank Financial Group. NORD/LB Luxembourg is, as a subsidiary, also protected via the parent company NORD/LB. Deutsche Hypo is a member of the security reserve as an affiliated institute.

5 Disclosures concerning the Risk Types

5.1 Credit Risk

5.1.1 Credit Risks

In order to calculate the capital adequacy requirement for credit risks, the NORD/LB Group uses the Internal Ratings Based Approach (IRBA).

In particular the development institutes, the savings banks, national public budgets and the retail business of Deutsche Hypo and Bremer Landesbank are excluded for an indefinite period from the IRBA. Exposures excluded from the IRBA for an indefinite period are shown in the Credit Risk Standardised Approach (CRSA).

For the segment of minor customers without a current account the CRSA is still applied. Transfer to IRBA is scheduled for 2018.

Exposures for which no internal rating procedure is available due to a gap in methodology are also treated as partial use. A regular system of rating controls ensures that the target level of rating cover of 92 per cent is met.

The CRSA is used for individual business segments at NORD/LB Luxembourg, i. e. for savings bank guaranteed lending business, current account overdrafts and Lombard loans. Permanent partial use was authorised by the Luxembourg Financial Supervisory Authority CSSF (Commission de Surveillance du Secteur Financier).

Information on the choice of method for calculating capital requirements for securitisations can be found in section 5.1.8.2.

5.1.2 Structure of the Credit Portfolio

Tables 9 to 16 show the total amount of risk positions broken down by the respective risk position class. The risk positions are broken down by industry, region and residual contractual maturity.

In order to compare the individual risk positions under the respective credit-risk approaches, i. e. the Credit Risk Standard Approach (CRSA) and the Internal Ratings Based Approach (IRBA), the CRSA positions are reported gross, i. e. before the deduction of any specific credit-risk adjustments made for the respective risk position.

The risk positions were calculated before taking into account credit risk mitigation methods and before use of the relevant credit conversion factor (CCF). Derivative risk positions are recorded with their credit equivalents (including add-ons and taking into account netting).

The abbreviation “SME SF” used in the tables refers to small and medium-sized enterprises (SMEs) to which the Supporting Factor (SF) applies in accordance with art. 501 of the CRR.

The averages for the financial year 2016 were calculated using the respective end-of-quarter figures as at 31 March, 30 June, 30 September and 31 December.

Table 9: Total amount of risk positions in CRSA

(in € million)	Total amount of risk positions as at 31 Dec. 2016	Average total amount of risk positions in 2016	Total amount of risk positions as at 31 Dec. 2015	Average total amount of risk positions in 2015
Central governments or central banks	6 574	5 139	4 469	4 370
Regional or local authorities	29 287	30 375	31 840	33 192
Other public institutions	9 990	10 590	11 291	11 077
Multilateral development banks	799	830	805	815
International organisations	2 984	2 918	2 637	1 541
Banks	16 556	16 293	15 372	22 913
Companies	5 803	5 462	5 245	7 880
Companies – SMEs	91	95	102	124
Retail business	494	507	541	584
Retail business – SMEs	0	0	0	0
Risk positions collateralised with real estate	487	499	502	533
Risk positions collateralised with real estate – SMEs	73	74	77	88
Positions in default	123	121	151	141
Very high-risk positions	11	12	34	43
Mortgage bonds	195	214	217	140
Risk positions with banks and companies with a short-term credit rating	–	–	0	0
Collective investment undertakings (CIU)	–	–	0	0
Past-due risk positions	83	92	80	86
Total	**73 549**	**73 219**	**73 363**	**83 529**

Table 10: Total amount of risk positions in IRBA

(in € million)	Total amount of risk positions as at 31 Dec. 2016	Average total amount of risk positions in 2016	Total amount of risk positions as at 31 Dec. 2015	Average total amount of risk positions in 2015
Central governments or central banks	6 508	6 327	5 677	5 776
Banks	18 712	19 578	19 199	23 416
Companies – SMEs	12 460	12 505	12 314	12 721
Companies – SMEs SF	1 055	966	860	909
Companies – special finance	31 776	32 060	34 370	35 851
Companies – other	40 671	39 581	36 773	37 837
Retail business – of which collateralised with mortgages, SMEs	–	–	0	0
Retail business – of which collateralised with mortgages, SMEs SF	–	–	0	0
Retail business – of which collateralised with mortgages, not SMEs	1 013	1 011	1 011	998
Retail business – of which qualified, revolving	432	454	514	465
Retail business – of which other, SMEs	–	–	0	0
Retail business – of which other, SMEs SF	–	–	0	0
Retail business – of which other, not SMEs	1 172	1 170	1 143	1 232
Other non-loan-dependent assets	895	909	329	675
Total	**114 693**	**114 561**	**112 189**	**119 880**

Table 11: Total amount of risk positions by industry in CRSA

(in € million)	Manu-facturing	Energy, water and mining	Construc-tion	Trade, mainte-nance and repairs	Agri-culture, forestry and fishing	Transport and com-munica-tions	Financial institu-tions/ insurance compa-nies	Service indus-tries/ other	Total
Central governments or central banks	–	–	–	–	–	–	2 032	4 542	6 574
Regional or local authorities	–	–	–	–	–	–	–	29 287	29 287
Other public institutions	–	27	1	–	–	26	7 603	2 333	9 990
Multilateral development banks	–	–	–	–	–	–	799	–	799
International organisations	–	–	–	–	–	–	2 448	536	2 984
Banks	–	–	–	–	–	–	16 553	3	16 556
Companies	249	31	40	109	27	512	3 254	1 580	5 803
Companies – SMEs	7	3	7	7	17	10	4	35	91
Retail business	4	1	6	7	7	3	4	463	494
Retail business – SMEs	–	–	–	–	–	–	–	0	0
Risk positions collateralised with real estate	6	1	9	11	7	5	6	443	487
Risk positions collateralised with real estate – SMEs	3	0	6	7	4	3	4	45	73
Risk positions in default	13	0	10	3	1	3	13	82	123
Very high-risk positions	–	–	–	–	–	7	4	0	11
Mortgage bonds	–	–	–	–	–	–	169	26	195
Risk positions with banks and companies with a short-term credit rating	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–
Past-due risk positions	–	–	–	–	–	–	79	4	83
Total	**282**	**64**	**78**	**143**	**63**	**570**	**32 972**	**39 377**	**73 549**

Table 12: Total amount of risk positions by industry in IRBA

(in € million)	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport and communications	Financial institutions/ insurance companies	Service industries/ other	Total
Central governments or central banks	–	16	–	–	–	–	2 588	3 904	6 508
Banks	–	109	–	–	–	65	17 449	1 090	18 712
Companies – SMEs	350	297	303	380	370	336	2 302	8 122	12 460
Companies – SMEs SF	220	81	102	182	103	84	43	239	1 055
Companies – special finance	117	9 131	366	3	6	16 353	298	5 503	31 776
Companies – other	7 131	4 039	1 235	3 603	741	5 099	7 900	10 923	40 671
Retail business – of which collateralised with mortgages, SMEs	–	–	–	–	–	–	–	–	–
Retail business – of which collateralised with mortgages, SMEs SF	–	–	–	–	–	–	–	–	–
Retail business – of which collateralised with mortgages, not SMEs	–	–	–	–	–	–	–	1 013	1 013
Retail business – of which qualified, revolving	–	–	–	–	–	–	–	432	432
Retail business – of which other, SMEs	–	–	–	–	–	–	–	–	–
Retail business – of which other, SMEs SF	–	–	–	–	–	–	–	–	–
Retail business – of which other, not SMEs	–	–	–	–	–	–	–	1 172	1 172
Other non-loan-dependent assets	–	–	–	–	–	0	0	894	895
Total	**7 818**	**13 673**	**2 006**	**4 167**	**1 220**	**21 937**	**30 581**	**33 292**	**114 693**

Table 13: Total amount of risk positions by region in CRSA

(in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East / Africa	Asia / Australia	Other	Total
Central governments or central banks	3 548	2 384	207	–	0	–	–	435	6 574
Regional or local authorities	27 884	919	19	301	–	–	163	–	29 287
Other public institutions	9 148	–	–	842	–	–	–	–	9 990
Multilateral development banks	–	–	–	–	–	–	–	799	799
International organisations	–	–	–	–	–	–	–	2 984	2 984
Banks	16 410	24	120	0	0	1	1	–	16 556
Companies	2 910	551	1 364	627	136	3	57	156	5 803
Companies – SMEs	91	0	–	–	–	–	–	–	91
Retail business	491	1	1	0	0	0	0	–	494
Retail business – SMEs	0	–	–	–	–	–	–	–	0
Risk positions collateralised with real estate	480	1	4	1	0	0	0	–	487
Risk positions collateralised with real estate – SMEs	73	0	0	–	–	–	–	–	73
Risk positions in default	116	0	7	0	–	–	0	–	123
Very high-risk positions	4	–	–	–	–	–	7	–	11
Mortgage bonds	26	169	–	–	–	–	–	–	195
Risk positions with banks and companies with a short-term credit rating	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–
Past-due risk positions	4	79	–	–	–	–	–	–	83
Total	**61 183**	**4 129**	**1 723**	**1 772**	**136**	**4**	**228**	**4 374**	**73 549**

Table 14: Total amount of risk positions by region in IRBA

(in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East / Africa	Asia / Australia	Other	Total
Central governments or central banks	2 295	1 477	576	1 222	79	1	73	785	6 508
Banks	6 425	6 207	3 157	1 505	15	1	1 403	–	18 712
Companies – SMEs	7 679	3 351	1 277	151	0	0	1	–	12 460
Companies – SMEs SF	1 052	1	1	0	0	0	0	–	1 055
Companies – special finance	14 251	5 813	2 623	4 050	1 446	790	2 803	–	31 776
Companies – other	27 090	5 238	4 376	1 524	474	156	1 803	11	40 671
Retail business – of which collateralised with mortgages, SMEs	–	–	–	–	–	–	–	–	–
Retail business – of which collateralised with mortgages, SMEs SF	–	–	–	–	–	–	–	–	–
Retail business – of which collateralised with mortgages, not SMEs	1 013	0	0	–	–	–	–	–	1 013
Retail business – of which qualified, revolving	432	0	0	0	–	0	0	–	432
Retail business – of which other, SMEs	–	–	–	–	–	–	–	–	–
Retail business – of which other, SMEs SF	–	–	–	–	–	–	–	–	–
Retail business – of which other, not SMEs	1 171	0	0	0	0	0	–	–	1 172
Other non-loan-dependent assets	682	0	–	–	–	–	213	–	895
Total	**62 090**	**22 087**	**12 010**	**8 452**	**2 016**	**948**	**6 295**	**797**	**114 693**

Table 15: Residual contract maturities in CRSA

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments or central banks	747	1 079	4 748	6 574
Regional or local authorities	2 658	6 548	20 080	29 287
Other public institutions	1 239	2 855	5 896	9 990
Multilateral development banks	40	383	377	799
International organisations	1	242	2 741	2 984
Banks	2 055	1 071	13 430	16 556
Companies	725	1 579	3 498	5 803
Companies – SMEs	10	25	56	91
Retail business	4	21	468	494
Retail business – SMEs	–	–	0	0
Risk positions collateralised with real estate	8	44	435	487
Risk positions collateralised with real estate – SMEs	1	22	51	73
Risk positions in default	24	20	79	123
Very high-risk positions	–	11	0	11
Mortgage bonds	–	–	195	195
Risk positions with banks and companies with a short-term credit rating	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–
Past-due risk positions	79	–	4	83
Total	**7 589**	**13 901**	**52 059**	**73 549**

Table 16: Residual contract maturities in IRBA

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments or central banks	858	1 500	4 150	6 508
Banks	6 272	5 710	6 730	18 712
Companies – SMEs	1 766	4 497	6 196	12 460
Companies – SMEs SF	47	89	919	1 055
Companies – special finance	3 082	6 248	22 446	31 776
Companies – other	6 204	13 364	21 103	40 671
Retail business – of which collateralised with mortgages, SMEs	0	0	0	0
Retail business – of which collateralised with mortgages, SMEs SF	0	0	0	0
Retail business – of which collateralised with mortgages, not SMEs	3	39	971	1 013
Retail business – of which qualified, revolving	0	0	432	432
Retail business – of which other, SMEs	0	0	0	0
Retail business – of which other, SMEs SF	0	0	0	0
Retail business – of which other, not SMEs	8	91	1 072	1 172
Other non-loan-dependent assets	24	0	870	895
Total	**18 264**	**31 539**	**64 891**	**114 693**

5.1.3 Risk Provisioning

Exposures are inspected at regular intervals, i.e. in a system of scheduled loan monitoring, in order to ascertain whether the claims of the NORD/LB Group are recoverable or whether interest and principal payments appear to be totally or partly at risk. A review is also carried out when negative information is received (early warning indicators) about a borrower, for example information relating to the borrower's financial situation, collateral value and industry environment as well as when establishing the reason for default (and issuing a default rating). Objective indications which might result in the need for a loan loss provision are for example the default on interest and capital payments or a delay in such payments of more than 90 days and considerable financial difficulties on the part of the debtor.

For acute counterparty credit risks relating to lending business reported in the balance sheet, if there are objective indications of a permanent loss in value NORD/LB Group makes specific loan loss provisions and lumpsum specific loan loss provisions. A loan loss provision requirement is based on a present value consideration of anticipated interest and redemption payments which are still expected as well as on profits from the realisation of collateral.

The latent counterparty risk of the entire onbalance-sheet and off-balance-sheet lending business for which no specific valuation allowance is formed is taken into account at the NORD/LB Group by forming portfolio valuation allowances (PVA) for impairments that have already occurred, but were not known as of the balance sheet date. The calculation is made on the basis of historical probabilities of default and loss rates. The portfolio-specific LIP factor (loss identification period factor) is also considered.

Irrecoverable loans of up to € 10,000 for which there is no specific loan loss provision are written off immediately. Payments received for written-off loans are recognised through profit or loss.

For information on the accounting policies for risk provisioning in accordance with IFRSs the notes to the consolidated financial statements (Note 9) in the Annual Report are referred to.

Under the current incurred loss model of IAS 39, the risk provisioning in its entirety is classified under the current regulatory provisions of the CRR as specific credit-risk adjustments. These include specific loan loss provision, lumpsum specific loan loss provision, general loan loss provisions and provisions for credit risks of off-balance-sheet risk positions. There are no general credit-risk adjustments under the current applicable accounting framework for financial instruments of IAS 39.

In accordance with article 442 g and h of the CRR, Tables 17 to 19 show the impaired and past-due risk positions separately. Impaired risk positions are reported net, i. e. after specific loan loss provisions and lumpsum specific loan loss provisions have been taken into account. Past-due risk positions are not the same as risk positions that have had specific loan loss provisions deducted with a default of one day or more. They are broken down by industry and region.

In order to distinguish between impaired and past-die risk positions, the three default rating classes 16 to 18 are used taking into account the default criteria in accordance with art. 178 of the CRR. Rating 16 covers the default reasons of default in payment / exceeding of a credit line for more than 90 days and improbability of repayment. Rating 17 covers the default reasons of restructuring / rescheduling / recovery and loan loss allowance / partial write-off. Rating 18 covers the default reasons of creditworthiness-based termination / calling of loan repayment (only DSGV methods), complete write-off / charge-off, loan asset sale with significant creditworthiness-based loss and insolvency (application) / coercive measures.

For rated CRSA and IRBA positions, all the impaired risk positions are equivalent to the rating classes 17 and 18. All the remaining past-due risk positions are included in rating class 16. Unrated CRSA positions in the exposure class "past-due positions" are allocated to the respective category on the basis of specific characteristics.

Table 19 shows the development of specific credit-risk adjustments in the period under review.

The lumpsum specific loan loss provisions are reported together with the specific loan loss provision that have been made. General loan loss provisions, direct write-offs and additions to receivables written off are reported as a total amount and are not subsequently broken down by industry or region.

Table 17: Impaired and past-due risk positions by industry

(in € million)	Impaired risk positions (net)	SVA	GVA	Provisions	Net allocation/ reversal of SVA/ provisions	Direct write-downs	Additions to written-down loans and advances	Past-due risk positions (not including valuation allowance requirement)
Manufacturing	173	71		7	– 5			46
Energy, water and mining	137	70		3	– 13			367
Construction	22	33		5	– 1			1
Trade, maintenance and repairs	15	14		1	3			18
Agriculture, forestry and fishing	34	25		1	16			17
Transport and communications	5 873	4 328		10	2 232			632
Financial institutions and insurance companies	51	64		8	32			111
Service industries/ other	288	229		24	– 62			718
Total	**6 593**	**4 835**	**260**	**60**	**2 202**	**195**	**45**	**1 910**

Table 18: Impaired and past-due risk positions by region

(in € million)	Impaired risk positions (net)	SVA	GVA	Provisions	Past-due risk positions (not including valuation allowance requirement)
Germany	4 653	3 895		23	1 128
Other euro countries	945	451		11	556
Rest of Europe	110	46		18	89
North America	0	0		8	52
Central and South America	3	8		0	0
Middle East/Africa	298	186		0	23
Asia/Australia	583	248		1	62
Other	0	0		0	0
Total	**6 593**	**4 835**	**260**	**60**	**1 910**

Table 19: Development of specific credit-risk adjustments

(in € million)	Opening balance for the period	Adjust- ments/ allocations in the period	Reversal	Utilisation	Exchange- rate related and other changes	Closing balance for the period
SVA	2 952	3 226	– 457	– 897	11	4 835
Provisions	73	21	– 24	– 10	0	60
GVA	481	76	– 297	0	1	260

5.1.4 Disclosures concerning IRBA Exposures

5.1.4.1 Internal Rating Methods

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 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 24-step DSGV rating master scale used in the NORD/LB Group can be transferred directly into the IFD classes.

NORD/LB uses segment-related rating methods for estimating the probability of default of an external counterparty. 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.

The methods developed in cooperation projects are standardised to comply with the probabilities of default in the DSGV rating master scale. The master scale shows risks in comparable stages, makes the ratings of various segments comparable and facilitates communication. It is also comparable with external ratings.

At present 14 internal rating methods developed by NORD/LB in collaboration with its cooperation partners have been authorised by the regulatory authorities for the IRBA system. The rating methods for country and transfer risks as well as for international authorities are predominantly allocated to the Central governments or central banks risk position class, and the rating method for banks to the institutes risk position class. Other rating methods belong to the corporate risk position class, i.e. corporates, insurance companies, leasing, DSGV standard rating, DSGV minor customer rating, DSGV real estate business rating, ship financing, aircraft financing, project financing and international real estate financing. At the end of 2013, savings bank client scoring was added to the retail risk position class.

NORD/LB also employs a rating classification method in accordance with the internal assessment approach (IAA) which was developed internally and has also been authorised by the regulatory authorities for securitisation transactions. In this case a rating grade in accordance with the scale of the rating agency Standard & Poor’s is ascertained for IAA-eligible securitisation exposures. Detailed information on the internal rating procedure for securitisations can be found in section 5.1.8.2.

The allocation of borrowers to the rating systems is regulated by the scope of application defined in the rating process. The principle of dual control is applied for all the ratings. A rating can only be released in this case by the relevant back office unit.

There is no rating procedure for investments. If they are processed in the IRBA system, simple risk weights in accordance with article 133 of the CRR are used.

The rating and scoring methods mentioned above, with the exception of the rating method for securitisation transactions, are updated, validated and improved by the maintenance units of the DSGV (Sparkassen Rating und Risikosysteme (SR) GmbH, Berlin) and the landesbanks (Rating Service Unit (RSU) GmbH & Co. KG, Munich).

Mathematical-statistical methods are used to develop the processes. On the one hand (borrower-oriented) scorecard methods which assess quantitative and qualitative factors are used. These are converted to point scores and allocated to probabilities of default and rating grades in the form of a total number of points. On the other hand (asset-related) simulation methods in which forecasted changes in value are analysed and in turn supplemented with qualitative information are also used. A common element of all the methods is that they assess a credit rating on the basis of characteristics relevant to creditworthiness and condense them to produce a rating grade that is calibrated on the PD master scale. Both the rating excluding transfer risk (local currency rating) and the rating after offsetting a transfer risk (foreign currency rating) are reported.

The rating methods are all subjected to an annual process of validation comprising both quantitative and qualitative analyses. Depending on the method, rating factors, the definition and the calibration of methods, data quality and the entire structure of the model are reviewed on the basis of statistical and qualitative analyses as well as user feedback. The aim of calibration here is to match the empirical defaults actually observed as closely as possible to the probabilities of default predicted with the help of the rating methods.

In NORD/LB, the Finance and Risk Control Division is responsible for monitoring counterparty risk. This includes the following activities:

- Administrating and supervising the rating methods
- Cooperating in SR/RSU validation activities
- Proving the representativeness of the rating methods based on data pooling
- Monitoring and reporting rating results and histories
- Implementing and monitoring the default and recovery concept
- Ensuring the correct application of the rating methods and communicating the results of plausibility tests

For counterparties which cannot be allocated to any of the specified rating methods, a quality-based credit rating method is used, with credit ratings ranging from A (very good) to F (undergoing liquidation).

Bremer Landesbank and Deutsche Hypo use the same basic rating method as NORD/LB. NORD/LB Luxembourg assess credit risk in close cooperation with NORD/LB on the basis of the rating methods specified.

5.1.4.2 Using Internal Assessments for Purposes Other than Ascertaining Risk-Weighted Exposure Values in Accordance with the IRBA

In addition to ascertaining risk-weighted exposure values, internal estimations of the PD and the LGD are important control variables for risk management and credit processes.

In preliminary costing (pricing) target margins, i.e. minimum margins and full-cost margins, are calculated. In the credit pricing calculator (CPC) for risk-adjusted pricing in lending business, the probabilities of default from internal rating procedures and internal estimated loss rates are included in calculating risk cost as a premium for expected loss and for calculating risk costs as a premium for expected loss. The calculation of equity costs as a premium for unexpected loss is based on the probabilities of default associated with the internal ratings and the regulatory loss rates.

The level of credit decision authority is also contingent on the rating of a borrower. Allocation to the segment for problem loans and the authority of the Special Credit Management Division is undertaken on the basis of rating grades.

The NORD/LB Group manages its risk-bearing capacity along economic lines subject to the proviso that all regulatory requirements are complied with. The results of the internal rating procedures are included in the economic examination of the risk-bearing capacity.

5.1.4.3 Credit Volumes and Losses in the IRBA Portfolio

Table 20 shows the total credit volume included in the IRBA, broken down by PD class, in accordance with article 452 d of the CRR. In addition to the exposure at default (EAD), average probabilities of default (Ø PD) and average risk weights (Ø RW) are reported. Exposure values after credit risk mitigation are used as a basis. Table 21 shows the total credit volume by geographical location of the risk position in the simple IRB approach.

With regard to Tables 20 and 21, investments only need to be disclosed as a separate portfolio when the PD/LGD approach is used for investment exposures in the banking book. This currently does not apply in the NORD/LB Group. A separate presentation of items in accordance with article 452 of the CRR, for which separate LGD and CCF estimations are made, is not carried out since the advanced IRBA is only relevant for retail business for the NORD/LB Group.

Table 20: Total credit volume by PD class (not including retail)

Exposure class	Total amount of outstanding credit commitments (in € million)	Exposure values (in € million)	of which outstanding credit commitments	Ø PD (in %)	Exposure value weighted with PD (in € million)	Ø RW (in %)	Exposure value weighted with RW (in € million)
PD Class 1: PD 0 % to < 0.5 %							
Central governments or central banks	18	7 634	12	0.02	2	7.72	590
Banks	1 242	16 559	287	0.08	14	14.52	2 404
Companies	9 838	44 419	4 994	0.16	69	33.97	15 090
Investments	–	–	–	–	–	–	–
Total	**11 099**	**68 612**	**5 292**	**0.12**	**85**	**0.26**	**18 084**
PD Class 2: PD 0.5 % to < 5 %							
Central governments or central banks	–	1	–	2.37	0	126.28	1
Banks	30	369	–	0.94	3	70.15	259
Companies	3 434	12 562	1 649	1.32	165	91.72	11 522
Investments	–	–	–	–	–	–	–
Total	**3 464**	**12 931**	**1 649**	**1.31**	**169**	**0.91**	**11 782**
PD Class 3: PD 5 % to < 100 %							
Central governments or central banks	–	0	–	12.23	0	209.34	0
Banks	–	54	–	71.65	39	76.81	41
Companies	266	4 402	96	18.04	794	213.50	9 398
Investments	–	–	–	–	–	–	–
Total	**266**	**4 456**	**96**	**18.69**	**833**	**2.12**	**9 439**
PD Class 4: Default – PD 100 %							
Central governments or central banks	–	–	–	–	–	–	–
Banks	48	7	36	100.00	7	–	–
Companies	204	9 753	112	100.00	9 753	–	–
Investments	–	–	–	–	–	–	–
Total	**252**	**9 760**	**149**	**100.00**	**9 760**	**–**	**–**
PD Class 5: Total (excluding default)							
Central governments or central banks	18	7 635	12	0.02	2	7.74	591
Banks	1 272	16 982	287	0.33	56	15.93	2 705
Companies	13 538	61 382	6 739	1.68	1 029	58.66	36 010
Investments	–	–	–	–	–	–	–
Total	**14 828**	**85 999**	**7 037**	**1.26**	**1 087**	**0.46**	**39 305**

Table 21: Total credit volume by geographical location of the risk position in the simple IRBA

Ø PD in %	Central governments or central banks	Institutes	Companies, of which: SME	Special finance	Other
China	0.05	0.16	1.98	–	0.29
Germany	0.00	0.23	4.54	48.92	3.11
Great Britain and Northern Ireland	0.01	0.09	0.29	3.28	0.20
Luxembourg	0.00	0.30	1.91	2.86	0.51
Singapore	0.00	0.03	–	36.93	0.93
United States	0.01	5.83	19.33	0.69	0.55

Table 22 shows the total credit volume included in the retail IRBA, broken down by PD class, in accordance with article 452 f of the CRR. In addition to the exposure at default (EAD), average loss given defaults (Ø LGD), average probabilities of default (Ø PD) and average risk weights (Ø RW) are reported. Exposure values after credit risk mitigation are used as a basis.

Table 22: Retail credit volume by PD class (retail)

Exposure class	Exposure values (in € million)	of which outstanding credit commitments	Ø exposure value of outstanding credit commitments (in %)	Carrying amount of outstanding credit commitments (in € million)	Ø LGD (in %)	Exposure value weighted with LGD (in € million)	Ø PD (in %)	Exposure value weighted with PD (in € million)	Ø RW (in %)	Exposure value weighted with RW (in € million)
PD Class 1: PD 0 % to < 0.5 %										
Retail business: qualified, revolving	374	361	92.84	388	37.98	142	0.05	0	1.39	5
Retail business: residential real-estate loans	917	1	84.12	2	31.57	289	0.15	1	10.36	95
Retail business: other	987	117	93.78	125	49.07	484	0.16	2	16.60	164
Total	**2 277**	**479**	**93.04**	**515**	**40.21**	**916**	**0.14**	**3**	**11.59**	**264**
PD Class 2: PD 0.5 % to < 5 %										
Retail business: qualified, revolving	27	16	89.55	18	38.61	10	1.30	0	18.11	5
Retail business: residential real-estate loans	77	0	85.39	0	32.69	25	1.62	1	54.45	42
Retail business: other	142	8	92.10	9	50.60	72	1.51	2	56.57	80
Total	**246**	**24**	**90.34**	**27**	**43.69**	**107**	**1.52**	**4**	**51.69**	**127**
PD Class 3: PD 5 % to < 100 %										
Retail business: qualified, revolving	2	1	92.30	1	38.91	1	10.82	0	73.69	1
Retail business: residential real-estate loans	14	0	85.39	0	33.73	5	17.73	3	166.94	24
Retail business: other	24	1	80.47	1	49.36	12	16.06	4	98.57	24
Total	**40**	**2**	**85.13**	**2**	**43.34**	**17**	**16.42**	**7**	**121.71**	**48**
PD Class 4: Default – PD 100 %										
Retail business: qualified, revolving	0	0	100.00	0	3.28	0	100.00	0	40.96	0
Retail business: residential real-estate loans	5	–	–	–	12.00	1	100.00	5	150.00	8
Retail business: other	10	0	100.00	0	7.15	1	100.00	10	89.38	9
Total	**16**	**0**	**100.00**	**0**	**8.78**	**1**	**100.00**	**16**	**109.72**	**17**
PD Class 5: Total (excluding default)										
Retail business: qualified, revolving	402	378	92.69	407	38.03	153	0.19	1	2.83	11
Retail business: residential real-estate loans	1 008	1	84.21	2	31.69	319	0.51	5	15.91	160
Retail business: other	1 153	126	93.56	135	49.26	568	0.65	8	23.22	268
Total	**2 563**	**505**	**92.88**	**544**	**40.59**	**1040**	**0.52**	**13**	**17.15**	**439**

Table 23: Total credit volume by geographical location of the risk position in the advanced IRBA

Country	Risk parameter	Retail business – subclass IRBA positions collateralised with mortgages	Retail business – subclass other IRBA positions	Retail business – subclass qualified, revolving IRBA positions
Germany	Ø PD in %	1.03	1.52	0.22
	Ø LGD in %	31.58	48.90	38.02
Great Britain and Northern Ireland	Ø PD in %	–	0.39	0.08
	Ø LGD in %	–	45.81	36.49
United States	Ø PD in %	–	0.05	0.05
	Ø LGD in %	–	38.31	38.31
China	Ø PD in %	–	–	0.03
	Ø LGD in %	–	–	35.73

Table 24 shows a comparison of expected and actual losses incurred in lending business for the current and two previous reporting periods in accordance with article 452 g) and i). Retail business is reported for the first time.

The estimated loss in this case is defined as the expected loss after credit risk mitigation and is based on the assumptions for regulatory loss rates in the event of default in accordance with article 158 of the CRR. This is the expected loss of risk-weighted assets in traditional lending business, i. e. excluding securities in the banking book and excluding derivatives. Traditional off-balance sheet business, such as credit commitments, is taken into account.

Actual losses comprise specific loan loss provisions and direct write-offs less additions to receivables written off. They are only shown as total amounts and are not broken down by portfolio. Compared to the previous reporting period, actual losses have increased by € 292 million. The ship portfolio was the most affected segment for loan loss provisionsand for write-offs. Write-offs mainly concerned losses related to the sale of assets or restructuring of loans.

Table 24: Expected and actual losses in lending business

Exposure class	1 Jan. 2016 – 31 Dec. 2016		1 Jan. 2015 – 31 Dec. 2015		1 Jan. 2014 – 31 Dec. 2014	
(in € million)	Expected loss	Actual loss	Expected loss	Actual loss	Expected loss	Actual loss
Central governments or central banks	0	0	37	0	1	0
Banks	7	0	10	0	12	0
Investments	0	–	0	–	0	–
Retail business	14	0	18	0	20	1
of which qualified, revolving	0	0	0	0	0	0
of which residential real-estate loans	4	0	4	0	5	0
of which other	10	0	13	0	14	1
Companies	4 576	532	3 789	240	3 722	258
Total	**4 612**	**532**	**3 871**	**240**	**3 754**	**260**

5.1.5 Disclosures concerning Standard Risk-Weighted CRSA and IRBA Exposures

The rating agencies Standard & Poor's, Moody's Investor Service Ltd. and Fitch Ratings were named for the purpose of risk weighting CRSA exposures and securitisation exposures.

External ratings are used for issuer, issue and country credit rating assessments, with the issue rating initially being used as a basis; the issuer rating is only referred to in the absence of an issue rating. Issue ratings are not applied to unrated CRSA exposures (e.g. loans). Country classifications by export insurance agencies are not taken into account.

Bremer Landesbank does not use any external ratings for CRSA and securitisation exposures. Deutsche Hypo has also chosen the rating agencies Standard & Poor's, Moody's Investors Service Ltd. and Fitch Ratings for the CRSA risk position classes Central governments or central banks, regional governments or local authorities, public-sector entities, multilateral development banks, corporates and securitisation transactions. NORD/LB Luxembourg has only named Standard & Poor's and uses the ratings for the central or regional government, public-sector entities, covered bonds and institutions exposure classes.

Table 25: Counterparty risk exposures before credit risk mitigation for portfolios in the CRSA on application of regulatory risk weights

Exposure classes	Exposure values before credit risk mitigation in € million / risk weights														
(in € million)	0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Other
Central governments or central banks	6 080	–	–	–	242	–	229	–	–	24	–	–	–	–	–
Regional or local authorities	28 761	–	–	–	171	–	355	–	–	–	–	–	–	–	–
Other public institutions	9 009	–	–	–	757	–	223	–	–	–	–	–	–	–	–
Multilateral development banks	799	–	–	–	–	–	–	–	–	–	–	–	–	–	–
International organisations	2 984	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Banks	13 835	2 188	14	–	481	–	36	–	–	0	–	–	–	–	–
Companies	–	1 167	–	–	155	–	1	–	–	4 479	0	–	–	–	–
Retail business	–	–	–	–	–	–	–	–	493	–	–	–	–	–	–
Positions collateralised with real estate	–	–	–	–	–	453	34	–	–	–	–	–	–	–	–
Risk positions in default	–	–	–	–	–	–	–	–	–	10	47	–	–	–	–
Very high-risk positions	–	–	–	–	–	–	–	–	–	–	11	–	–	–	–
Mortgage bonds issued by banks	–	–	–	26	169	–	–	–	–	–	–	–	–	–	–
Risk positions with banks and companies with a short-term credit rating	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	781	–	157	–	–	–
Other positions	0	–	–	–	–	–	–	–	–	70	–	10	–	3	–
Total	**61 469**	**3 355**	**14**	**26**	**1 976**	**453**	**878**	**–**	**493**	**5 365**	**58**	**167**	**–**	**3**	**–**

Table 26: Counterparty risk exposures after credit risk mitigation for portfolios in the CRSA on application of regulatory risk weights

Exposure classes	Exposure values before credit risk mitigation in € million / risk weights														
(in € million)	0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Other
Central governments or central banks	7 199	–	–	–	242	–	229	–	–	24	–	–	–	–	–
Regional or local authorities	30 243	–	–	–	171	–	355	–	–	–	–	–	–	–	–
Other public institutions	9 374	–	–	–	627	–	223	–	–	–	–	–	–	–	–
Multilateral development banks	940	–	–	–	–	–	–	–	–	–	–	–	–	–	–
International organisations	3 080	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Banks	11 163	222	14	–	419	–	36	–	–	0	–	–	–	–	–
Companies	–	754	–	–	155	–	1	–	–	2 720	0	–	–	–	–
Retail business	–	–	–	–	–	–	–	–	240	–	–	–	–	–	–
Positions collateralised with real estate	–	–	–	–	–	453	34	–	–	–	–	–	–	–	–
Risk positions in default	–	–	–	–	–	–	–	–	–	9	39	–	–	–	–
Very high-risk positions	–	–	–	–	–	–	–	–	–	–	9	–	–	–	–
Mortgage bonds issued by banks	–	–	–	26	169	–	–	–	–	–	–	–	–	–	–
Risk positions with banks and companies with a short-term credit rating	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	781	–	157	–	–	–
Other positions	0	–	–	–	–	–	–	–	–	70	–	10	–	3	–
Total	**61 999**	**976**	**14**	**26**	**1 784**	**453**	**878**	**–**	**240**	**3 604**	**48**	**167**	**–**	**3**	**–**

5.1.6 Derivative Counterparty Risk Positions and Netting Positions

The NORD/LB Group employs derivative financial instruments for securing purposes in asset / liability management. Trading is also conducted in derivative financial transactions. Derivative financial instruments in foreign currencies are mainly concluded as forward-exchange contracts, currency swaps, interest rate / currency swaps and currency options. Interest derivatives primarily comprise interest rate swaps, forward rate agreements, interest rate options and interest rate caps / floors. Futures are also concluded for fixed interest-rate securities. Stock derivative agreements are mainly concluded as stock options and equity swaps. Additionally, credit derivatives in the form of credit default swaps are used.

Trades are only entered into with contractual partners for whom replacement risk limits and advance payment risk limits have been arranged. All the trades concluded with a specific counterparty are offset against these limits. The risk subject is the counterparty / contractual partner for the trade. Replacement risks and settlement risks are taken into account in terms of limit utilisation.

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 borrower's free disposal for making principal payments when servicing a loan.

Risk concentrations and correlations at portfolio level are mapped when the credit risk potential is estimated in the credit risk model. Risk concentrations are also restricted by country and industry limits at portfolio level as well as by the Large Exposure Management limit model for groups of related customers. For every rating, this model defines a segment-specific loss-at-default limit geared to NORD/LB's risk-bearing capacity.

With regard to collateral, reference is made to section 5.1.7 on credit risk mitigation techniques.

Provisions / impairments are recognised to account for the risk of losses. More information can be found in section 5.1.3 on risk provisioning.

The NORD/LB Group has concluded individually negotiated framework contracts with its contract partners. Rating-related clauses are occasionally included in the attached collateral appendices which oblige NORD/LB Group, in the event of its own rating being downgraded, to provide additional collateral in favour of its counterparties. Minimum transfer amounts and where applicable free or basic amounts for collateral are agreed rating-linked. As of the reporting date, a rating downgrade of one notch would have resulted in an additional collateral provision of € 5 million.

The exposure value for counterparty credit risk is calculated based on the current exposure method in accordance with article 274 of the CRR. Admissible netting agreements and cash collateral are recognised as risk-reducing in accordance with article 298 of the CRR. Table 27 shows the positive replacement costs before and after netting and consideration of collateral in accordance with article 439 (e) of the CRR. The term "positive replacement cost" means the current potential replacement cost in accordance with article 274 of the CRR. This is equivalent to the current positive fair value.

Table 27: Positive replacement costs

(in € million)	Positive replacement costs before netting and collateral	Netting options	Eligible collateral	Positive replacement costs after netting and collateral
Interest-rate-based contracts	12 564			
Currency-based contracts	735			
Share / index-based contracts	4			
Credit derivatives	117			
Commodity-based contracts	35			
Other contracts	–			
Total	**13 456**	**9 666**	**916**	**2 874**

The counterparty credit risk to be allowed for in accordance with article 439 (f) of the CRR can be seen in Table 28. The counterparty credit-risk position is determined here as a positive replacement cost after netting and consideration of collateral plus an add-on for expected future increases in value.

Table 28: Counterparty credit risk

(in € million)	Term method	Market valuation method	Standard method	Internal model
Counterparty credit-risk position	–	6 298	–	–

Hedge transactions with credit derivatives in accordance with article 439 (g) of the CRR, which are used to mitigate risk in accordance with the CRR, are not present in the NORD/LB Group.

Table 29 shows a breakdown of the nominal value of credit derivatives in acquisitions and sales in accordance with article 439 (h) of the CRR. The NORD/LB Group did not conduct any brokerage activities for credit derivatives in the period under review.

Table 29: Credit derivatives – purpose

Nominal value (in € million)	Use for own portfolio		Brokerage activity
	Protection buyer	Protection seller	
Credit default swaps	83	2 584	–
Total return swaps	–	271	–
Credit-linked note	–	–	–
Others	–	–	–
Total	**83**	**2 855**	**–**

5.1.7 Credit Risk Mitigation Techniques

5.1.7.1 Collateral Management

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 securities in the form of property and rights (collateral) to reduce credit risk. When accepting securities the cost-benefit relationship of the security is considered.

The collateral is assessed 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 amount 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, the monitoring procedures ensure that amendments to legislation or case-law are examined to determine their impact on existing collateral. International law firms are employed to help with this area in foreign jurisdictions.

5.1.7.2 Collateral to Ease Equity Requirements

The NORD/LB Group has been authorised by the German Federal Financial Supervisory Authority (BaFin) to use mortgage collateral, certain other IRBA physical collateral, guarantees and financial collateral as credit risk mitigation techniques to ease capital requirements. Internal processes and systems operated ensure that only collateral which meets all the relevant requirements of banking regulations in terms of credit risk mitigation techniques is employed.

Mortgage liens as collateral relate to commercial and residential real estate. The properties are valued by independent internal appraisers and also by external surveyors appointed by the Valuation Department should this become necessary. The market fluctuation concept of the German Banking Industry Committee (Deutsche Kreditwirtschaft) is used to help continually monitor real estate values. This method is recognised as a statistical method in accordance with § 20a (6) of the German Banking Act and art. 208 (3) of the CRR. For the properties valued using the market fluctuation concept, the values are reviewed at least every three years by the internal appraisers if the mortgage lending value of property and loans secured by the property exceeds specified thresholds. For all other properties, this review takes place every year.

In the category other IRBA physical collateral, those ships (NORD/LB and Bremer Landesbank), aircraft (only NORD/LB) and wind turbines (only Bremer Landesbank) that meet regulatory requirements are used to ease equity requirements.

Ships and aircraft must be entered in a public register and fulfil certain requirements such as marketability and age. An additional requirement in the case of ships is that they must have been constructed under the supervision of a recognised classification society and possess class certification issued by a classification society recognised by the German Banking Industry Committee. Aircraft must have been awarded internationally-recognised type and air transport approval. The initial valuation and valuation reviews of ships and aircraft are carried out by the Bank's independent internal appraisers and if necessary on the basis of external assessments; they have to be carried out at least once a year, in the case of high market volatility also more frequently, to meet regulatory requirements.

The location of wind energy plants is decisive for their value. Before a plant is constructed, windpotential is forecast in external reports and the effective exploitation of wind is compared with these forecasts at least once a year when the plants are in operation. The value of a plant is calculated using the gross rental method based on the legally specified compensation for feeding electricity into the grid. The value of a wind energy plant is recalculated and lending values are re-stipulated accordingly in the event of significant deviations from forecasts. In order to be in a position to sell a wind energy plant if the need arises, the plant is assigned as collateral and the significant operator rights relating to location are assigned.

The guarantees considered in credit risk mitigation techniques are predominantly sureties and guarantees. The carrying amounts are based on the credit rating of the guarantor. The same creditworthiness assessment rules apply as for all other borrowers. The main types of guarantors are public entities and banks with a very good rating.

Risk concentrations from accepting guarantees are monitored in connection with the direct exposure of the guarantor. If a guarantor exhibits a guarantee risk above the materiality threshold of € 10 million, and the group of connected clients includes at least one borrower with a PD and a LaD > 0, this is reported in the quarterly Counterparty Risk Concentration Report and Country Report of the NORD/LB Group. The guarantee risk is determined on the basis of the guaranteed loan taking into account the twofold probability of default. The current reported guarantor risk is € 445 million.

Financial collateral includes among other things cash deposits. In the financial markets division, repo transactions continue to be effected. Only cash collateral (NORD/LB Group as the transferor) as well as bonds whose issuers have a very good rating (NORD/LB Group as the transferee) is accepted. Transactions are therefore low risk. They are valued automatically every day and the back office of the financial markets division monitors counterparty lines daily on the basis of these valuations so that no concentration of risk arises. Additionally, market price fluctuations in the scope of margin calls are settled daily in the form of bonds and cash deposits.

Tables 30 and 31 contain an overview of collateralised CRSA and IRBA exposure values for each exposure class in accordance with article 453 of the CRR. For derivatives, netting agreements are considered. The exposure values are collateralised by eligible financial collateral in accordance with article 197 and where applicable article 198 of the CRR after the application of value fluctuation factors, guarantees in accordance with article 201 of the CRR and other IRBA collateral in accordance with article 199 para 1 a) and c) of the CRR.

CRSA loans secured by mortgage liens are mainly reported in the exposure class “exposures secured with real estate”.

Table 30: Total collateralised CRSA exposure values (not including securitisations)

Exposure class (in € million)	Financial collateral	Mortgage liens	Guarantees and credit derivatives
Central governments or central banks	–	–	–
Regional governments	–	–	–
Other public institutions	0	–	127
Multilateral development banks	–	–	–
International organisations	–	–	–
Banks	2 214	–	–
Mortgage bonds issued by banks	–	–	–
Companies	928	–	545
Retail business	1	–	190
Positions collateralised with real estate	–	487	–
Fund shares	–	–	–
Investments	–	–	–
Other positions	–	–	–
Positions in default	0	2	8
Risk positions with banks and companies with a short-term credit rating	–	–	–
Very high-risk positions	–	–	–
Total	**3 144**	**489**	**870**

Table 31: Total collateralised IRBA exposure values (not including securitisations)

Exposure class (in € million)	Financial collateral	Other/physical collateral	Guarantees and credit derivatives
Central governments or central banks	4	–	14
Banks	6 834	11	917
Other non-loan-dependent assets	–	–	–
Retail business	–	1 013	–
Investments	–	–	–
Companies	1 720	10 485	4 776
Total	**8 559**	**11 509**	**5 707**

5.1.7.3 Netting Agreements

In order to mitigate counterparty risk in trading the NORD/LB Group employs netting agreements covering derivatives.

Netting agreements are always bilateral. Only standard framework agreements are used. Entering into new contracts on behalf of NORD/LB and NORD/LB Luxembourg is performed by the Legal Department. Legal enforceability of the netting agreements in the different jurisdictions is monitored by regularly obtaining legal opinions.

Contract data can be stored centrally in the dedicated LeDIS standard application. This system of data management enables an automatic examination of the individual derivative transactions to be carried out by the users of this information, for example the employees responsible for processing reports.

Netting agreements on receivables and cross-product netting agreements are not used.

The volume of netting agreements covering derivatives can be seen in Table 27 in section 5.1.6 on derivative counterparty risk positions and netting positions.

Only cash collateral is currently accepted for securitising derivative transactions. Standard general agreements are also used here.

5.1.8 Securitisations

5.1.8.1 Aims, Functions and Scope of Securitisations

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

In order to diversify the loan portfolio, credit risks in the banks own books can transferred to other market participants (NORD/LB as an originator) or additional credit risks are taken (NORD/LB as an investor or sponsor). 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 or supports the programme by purchasing asset-backed commercial papers. NORD/LB also conducts securitisation activities as an arranger of structured transactions in the interest of customers.

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

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

In 2016, Bremer Landesbank originated a synthetic securitisation for a credit portfolio with an initial volume of some € 3.421 billion in the following asset classes: renewable energies, corporate customers, community-interest property, commercial property and leasing. In order to hedge the credit risks involved, a guarantee with an initial volume of some € 94 million was concluded with a private investor with effect from 30 June 2016. The contractual term of this guarantee is 10 years plus a maximum period of two years for processing uncompleted liquidation cases.

Deutsche Hypo increased one of the existing transactions in the reporting year. Future new business can be incorporated into the hedging transaction in a replenishment period running until 2018. The accepted guarantees amount to € 77.3 million (previous year € 61.5 million) in total.

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

In the year under review NORD/LB did not have any re-securitisation exposures in the portfolio.

The scope of securitisation activities in NORD/LB can be seen in the section on quantitative information.

5.1.8.2 Procedures for Determining Risk-Weighted Exposure Values, Internal Assessment Approaches and Rating Agencies

In the Ratings Based Approach (RBA), risk weights depend on external ratings, the granularity of the pool of receivables and the seniority of tranches. The significant companies of the NORD/LB Group from a risk point of view apply the RBA to external rated investor and sponsor positions.

The supervisory formula approach (SFA) is used for own originator securitisation positions without an external rating for which the significant companies of the NORD/LB Group from a risk point of view have sufficient up-to-date information on the composition of the securitised portfolio and are able to determine capital requirements prior to the securitisation transaction.

Unrated sponsor securitisation positions in the ABCP programme (excluding asset-back money-market securities) are valued with the internal assessment approach (IAA) method. The risk-weighted assets are determined based on the ratings obtained with the IAA, the granularity of the pool of receivables and the seniority of tranches.

NORD/LB uses a total of five internal assessment approaches which have been set up according to regulatory considerations. Each specific internal assessment approach relates to one of the following exposure classes: Auto Leases, Auto Loans, Consumer Receivables, Insured Trade Receivables and Trade Receivables. Of these five approaches, only the IAA modules for Insured Trade Receivables and Trade Receivables are currently in use. The result of each internal assessment approach is a rating based on the rating scale of Standard & Poor’s. The ratings are used to determine the capital requirements and are an important decision-making criterion for lending, pricing and portfolio management.

NORD/LB’s Finance and Risk Control Division is responsible for the development and maintenance of the internal assessment approaches, whereby changes to procedures are made on the basis of the four-eyes principle. The market divisions and the Credit Risk Management Department responsible for the transactions assessed with the internal assessment approaches are involved if there are any necessary changes in these IAA models. Any decision on the nature and scope of the changes is made though by the Finance and Risk Control Division independently of these divisions. An annual validation of the internal assessment approaches is also conducted by this division, with the key results reported to the Managing Board. In addition to this, a review of the internal assessment methods is conducted at regular intervals by NORD/LB's Internal Audit. The German banking supervisory authority examined all of the internal assessment approaches before approving them.

The internal assessment approaches are structured in such a way that the rating result is influenced both by a quantitative and qualitative part of the model . Quantitatively, the stress intensity that the respective transactions can withstand without incurring losses for NORD/LB is examined. For example, stress factors are applied to credit losses assumed in a base case as multipliers in order to simulate economic stress scenarios. Depending on the rating, these stress factors essentially move between specific bands in accordance with the rating criteria of Standard & Poor's.

In the procedures for Auto Leases, Auto Loans and Consumer Receivables, a stress factor between 4.00 and 5.00 is applied for the rating AAA, between 3.00 and 4.00 for AA, between 2.00 and 3.00 for A, between 1.75 and 2.00 for BBB and between 1.50 and 1.75 for BB. For Trade Receivables and Insured Trade Receivables, NORD/LB bases the stress factors it uses on Standard & Poor's and Fitch Ratings, whereby the transactions involving risks are weighted with a stress factor of between 2.50 and 2.75 (AAA), between 2.25 and 2.50 (AA), between 2.00 and 2.25 (A) and between 1.75 and 2.00 (BBB). In addition to this, NORD/LB uses a range of other stress parameters which are based on the criteria of the rating agencies.

Qualitative components of NORD/LB's internal assessment approaches include valuation aspects which concern for example the management, organisation and receivables administration of the servicer or originator. The result of the qualitative model is a score which is used to determine the precise stress factors which are applied to a transaction for the various ratings.

5.1.8.3 Liquidity and Operational Risks with Securitisation Transactions

Securitisation exposures held by NORD/LB are assessed with regard to their degree of liquidity taking into account class and market information and are treated in accordance with their assessment in the liquidity management and control systems. Any use for the liquidity buffer required in accordance with MaRisk is restricted by the liquidity assessment taking into account diversification aspects and only takes place with the countervalue adjusted by haircuts. In addition to this, in stress scenarios the reduced marketability or saleability of the securities held can be considered as potential liquidity risk by the application of scenario-specific deduction factors.

The liquidity facilities provided by NORD/LB as the sponsor of the institute's own ABCP conduit programme are considered separately.

Possible reasons for increased use of the facilities may be a significant rduction in value of the deposited assets and a change in the rating of NORD/LB and as a result not all of the commercial papers being placed on the money market. These events are considered appropriately in the stress scenarios to measure and control traditional liquidity risk.

Operational risks in NORD/LB's securitisation transactions are countered by the continuous training of the employees entrusted with these transactions, the legal support for the securitisation process and the intensive analysis of the associated legal and economic conditions. Process risks are analysed within the scope of the New Product Process (NPP), as are potential reputation risks which might be associated with securitisation transactions.

5.1.8.4 Processes for monitoring Counterparty and Market-Price Risks for Securitisations

In order to monitor changes in the counterparty and market-price risks of securitisation exposures in accordance with article 449 f of the CRR, continuous portfolio screening takes place in NORD/LB. In order to review changes in the risk situation and the risk provisioning measures to take in relation to investor and sponsor exposures, various monitoring processes were implemented on an individual transaction basis. These include the annual loan monitoring presentation, ad-hoc presentations in the event of negative events during the course of the year, the quarterly monitoring and review of the risk classification of risk-relevant exposures on the credit watchlist, the weekly monitoring of securities on the credit investment watchlist and the daily monitoring of rating changes on the ABS watchlist.

In addition to this, for 2016 an internal assessment of expected losses in different stress scenarios, which supports the further optimisation and validation of necessary risk protection measures, took place. The findings are used as an additional source for identifying potentially risky exposures.

The value of securitisation exposures is primarily determined by the development of the underlying receivables. Structural components also need to be considered. These include in particular the legal protection against direct liability for the underlying receivable in the case of utilisation, the ranking of the securitisation exposures (tranches / seniority) based on the waterfall principle and the credit quality of the parties involved in the securitisation transactions.

5.1.8.5 Securitisation Special Purpose Entities

NORD/LB acts as a sponsor for the securitisation special purpose entity Hannover Funding LLC (Hannover Funding).

Hannover Funding is a fully supported ABCP programme which is sponsored and managed by NORD/LB. Hannover Funding is a bankruptcy-remote special purpose entity with limited liability registered in Delaware, USA.

Hannover Funding typically acquires trade receivables, leasing receivables, receivables from car loans and receivables from consumer loans which were generated by customers of NORD/LB (the “transaction”) and refinances itself by issuing ABCP in the capital market. Hannover Funding can issue ABCP with a term of up to 270 days for USD commercial papers and up to 183 days for EUR commercial papers. Its income from issues is used to acquire loan receivables or to issue loans secured by receivables and similar assets. The commercial papers issued by Hannover Funding benefit from an extensive credit and liquidity commitment (Liquidity Asset Purchase Agreement – LAPA) granted by NORD/LB. In order to hedge the transaction, NORD/LB provides Hannover Funding with liquidity facilities in the amount of 102 per cent of the transaction volume committed to the customer.

The credit and liquidity commitments within the scope of the LAPA can be utilised by Hannover Funding at any time. If Hannover Funding utilises a liquidity facility, NORD/LB is obliged either to purchase the assets from Hannover Funding or to issue a short-term loan to Hannover Funding. Within the scope of the annual credit rate assessment process to renew the liquidity facility, NORD/LB assesses the credit quality of the transactions and decides whether to renew or end the liquidity facility.

Neither NORD/LB nor any company affiliated with NORD/LB holds shares in Hannover Funding. As the programme administrator, NORD/LB is responsible for determining and implementing the investment policy of Hannover Funding and decides which assets can be purchased and which transactions can be financed. As a bankruptcy-remote company, Hannover Funding can only incur liabilities by issuing commercial papers, necessary hedging obligations, drawings within the scope of the LAPA and other measures provided for by the articles of association. The financial processing and the generation of daily reports for the activities of Hannover Funding is outsourced to the service provider Global Securitization Services (GSS); its activities are monitored by NORD/LB employees. The administration of the securitisation transactions (including business policy decisions and contracts) is performed by NORD/LB in the Asset Backed Finance unit in New York.

NORD/LB does not transfer its own receivables to Hannover Funding. NORD/LB's loan receivables from its customers are not financed by Hannover Funding. The marketing of commercial papers issued by Hannover Funding is performed by external processors.

5.1.8.6 Accounting Policies for Securitisations

For information on the accounting policies for financial instruments in accordance with IFRSs please refer to the notes to the consolidated financial statements (Note 8) in the Annual Report.

The liquidity facilities granted as the sponsor are reported in the notes as irrevocable credit commitments in accordance with IFRSs.

For the securitisation exposures acquired as an investor, different accounting polices apply depending on their assignment to an IFRS holding category. These are currently assigned in NORD/LB to the holding categories Designated at Fair Value through Profit or Loss (DFV), Loans and Receivables (LaR) and Available for Sale (AfS). DFV exposures are recognised at fair value through profit or loss. The LaR exposures are recognised at amortised cost. AfS exposures are recognised at fair value directly in equity. Impairments to LaR and AfS exposures are recognised through profit or loss. If the fair value cannot be derived primarily from monitorable, contractable prices, the fair value is calculated using a discounted cash flow model using customary and generally accepted input parameters.

Compared to the previous period there has been no change in the IFRS accounting policies described.

5.1.8.7 Quantitative Disclosures concerning Securitisations

The NORD/LB Group only has securitised receivables and securitisation exposures in the banking book. It should be noted that the NORD/LB Group neither have any securitisation exposures in connection with revolving counterparty risk positions nor re-securitisations; therefore none are reported in accordance with art. 449 n) iv) and art. 449 o) ii) of the CRR.

Table 32 shows in accordance with article 449 i) of the CRR the securitisation activities of the NORD/LB Group as originator and as sponsor. Receivable amounts are unweighted exposure values without taking into account any currency mismatches. The total outstanding securitised receivables has increased compared to the previous year due to the topping up of an already existing originator transaction and due to the new securitisation originated by Bremer Landesbank. The total amount of sponsor activities has risen slightly due to new business.

NORD/LB has currently not originated any traditional securitisation transactions.

Table 32: Total outstanding securitised receivables as originator, and sponsor activities

Receivables type	Originator exposures			Sponsor activities
	Banking book			Banking book
(in € million)	Traditional Securitisations	Synthetic Securitisations	Total	
Receivables from housing construction loans	–	109	109	–
Receivables from wholly or partly commercial real estate loans	–	4 088	4 088	–
Receivables from credit card business	–	–	–	47
Receivables from leasing business	–	–	–	369
Receivables from companies and SME assigned to the exposure class companies	–	13 838	13 838	83
Receivables from consumer loans	–	33	33	167
Trade receivables	–	–	–	767
Other receivables	–	50	50	–
Total	**–**	**18 118**	**18 118**	**1 433**

Table 33 shows the unweighted exposure values of the impaired / past-due securitised receivables and the losses of the NORD/LB Group in accordance with article 449 p) of the CRR. Regarding the receivables securitised by the institute, the NORD/LB Group has recognised impairments in the amount of € 15 million. Compared to the previous year the unweighted exposure values of the impaired / past-due securitised receivables from companies and SMEs loans have increased.

Table 33: Impaired / past-due securitised receivables and losses of the originator

(in € million)	Unweighted exposure values of impaired / past-due securitised receivables of the originator	Losses
Receivables from housing construction loans	–	–
Receivables from wholly or partly commercial real estate loans	31	1
Receivables from credit card business	–	–
Receivables from leasing business	–	–
Receivables from companies and SME assigned to the exposure class companies	39	14
Receivables from consumer loans	0	–
Trade receivables	–	–
Other receivables	–	–
Total	**69**	**15**

In accordance with the requirements of articles 449 n) ii) of the CRR and 449 o) i) of the CRR, Tables 34 and 35 show the securitisation activities of the significant companies of the NORD/LB Group from a risk point of view as an originator, investor and sponsor. Compared to the previous reporting date the unweighted exposure values have increased due to a new originator transaction, the topping up of the existing transaction and new business regarding the sponsor positions. The strong repayment of the on-balance sheet investor positions did not overcompensate the increase in the off-balance sheet originator and sponsor positions. Despite the increase in unweighted positions, the capital requirement remained unchanged.

Table 35 shows that investments are primarily made in tranches with a low risk weight, whereby there has been a slight shift compared to the previous reporting date in the risk weight bands. The average risk weight on the securitisation portfolio has fallen. This effect occurred among other things through the senior tranches of the originator transactions, which are calculated in the supervisory formula approach and are given a risk weight of less than 10 per cent.

Table 34: Total retained or purchased securitisation exposures

Receivables type (in € million)	Unweighted exposure values – banking book: Credit risk Standard approach	IRB approach
Receivables	–	644
from housing construction loans	–	251
wholly or partly from commercial real-estate loans	–	15
from credit card business	–	–
from leasing business	–	–
from companies and SMEs assigned to the exposure class companies	–	363
from consumer loans	–	–
from trade receivables	–	–
other exposures	–	14
Re-securitisation	–	–
Measures to improve the credit quality	–	–
Other on-balance-sheet exposures	–	–
Total on-balance-sheet exposures	**–**	**644**
Liquidity facilities	–	1 433
Derivatives	–	–
Off-balance-sheet exposures from synthetic transactions	–	17 792
Other off-balance-sheet exposures	–	–
Total off-balance-sheet exposures	**–**	**19 225**
Total	**–**	**19 869**

Table 35: Capital requirements for retained or purchased securitisation exposures by risk weight band

	Banking book					
	Securitisations		Re-securitisations		Total	
(in € million)	Exposure value	Capital requirement	Exposure value	Capital requirement	Exposure value	Capital requirement
Standard approach	–	–	–	–	–	–
20 %	–	–	–	–	–	–
40 %	–	–	–	–	–	–
50 %	–	–	–	–	–	–
100 %	–	–	–	–	–	–
225 %	–	–	–	–	–	–
350 %	–	–	–	–	–	–
650 %	–	–	–	–	–	–
1250 %	–	–	–	–	–	–
Look-through approach	–	–	–	–	–	–
≤ 10 %	–	–	–	–	–	–
> 10 % ≤ 20 %	–	–	–	–	–	–
> 20 % ≤ 50 %	–	–	–	–	–	–
> 50 % ≤ 100 %	–	–	–	–	–	–
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	–	–	–	–	–	–
Rating-based approach	**1 264**	**19**	**–**	**–**	**1 264**	**19**
≤ 10 %	640	4	–	–	640	4
> 10 % ≤ 20 %	538	7	–	–	538	7
> 20 % ≤ 50 %	69	2	–	–	69	2
> 50 % ≤ 100 %	12	1	–	–	12	1
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	5	5	–	–	5	5
Supervisory formula approach	**17 792**	**252**	**–**	**–**	**17 792**	**252**
≤ 10 %	17 640	99	–	–	17 640	99
> 10 % ≤ 20 %	–	–	–	–	–	–
> 20 % ≤ 50 %	–	–	–	–	–	–
> 50 % ≤ 100 %	–	–	–	–	–	–
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	152	152	–	–	152	152
Internal assessment approach	**813**	**8**	**–**	**–**	**813**	**8**
≤ 10 %	401	3	–	–	401	3
> 10 % ≤ 20 %	363	4	–	–	363	4
> 20 % ≤ 50 %	48	1	–	–	48	1
> 50 % ≤ 100 %	–	–	–	–	–	–
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	–	–	–	–	–	–
Total	**19 869**	**278**	**–**	**–**	**19 869**	**278**

In Table 36 the unweighted exposure values of the securitisation exposures are broken down by type of receivables in accordance with the requirements of art. 449 n) (v) of the CRR; they are to be considered with a risk weight of 1,250 per cent or a capital deduction. The NORD/LB Group applies a risk weight of 1,250 per cent for securitisations. The retained first-loss tranches from own synthetic securitisation transactions resulted in an increase in securitisation exposures with the risk weight of 1,250 per cent.

Table 36: Securitisation exposures with a risk weight of 1,250 per cent

Receivables type (in € million)	Securitisation exposures to be deducted or considered with a securistisation risk weight of 1,250 % when calculating the modified available equity in accordance with § 10 para. 1d (German Banking Act) Unweighted exposure values
Receivables	157
from housing construction loans	5
wholly or partly from commercial real-estate loans	12
from credit card business	–
from leasing business	–
from companies and SMEs assigned to the exposure class companies	140
from consumer loans	–
from trade receivables	–
other receivables	–
Re-securitisation	–
Measures to improve the credit quality	–
Other on-balance-sheet exposures	–
Total	**157**

Table 37 shows in accordance with the requirements of art. 449 n) (vi) of the CRR information concerning receivables of the NORD/LB Group securitised in the period. The amounts reported are unweighted exposure values which were securitised effectively by the topping up of a transaction and a new transaction. The NORD/LB Group has not sold any receivables via traditional securitisation transactions and as a result not realised any profits or losses.

Table 37: Securitisation transactions in the reporting period

Receivables type (in € million)	Banking book – Amount of effectively securitised receivables: Traditional securitisations	Synthetic securitisations	Total	Profits/losses from the transactions
Receivables from housing construction loans	–	–	–	–
Receivables from wholly or partly commercial real-estate loans	–	439	439	–
Receivables from credit card business	–	–	–	–
Receivables from leasing business	–	–	–	–
Receivables from companies and SMEs assigned to the exposure class companies	–	3 421	3 421	–
Receivables from consumer loans	–	–	–	–
Trade receivables	–	–	–	–
Other receivables	–	–	–	–
Total	**–**	**3 860**	**3 860**	**–**

Table 38 shows the information for the reporting of receivables awaiting securitisation required in accordance with art. 449 n) iii) of the CRR. For the year 2017, various securitisations of banking book receivables, which are mainly allocated to the asset class companies, are planned. At the time of reporting, not all receivables to be securitized were finally identified.

Table 38: Assets awaiting securitisation

Receivables type (in € million)	Banking book Unweighted exposure values
Receivables from housing construction loans	–
Receivables from wholly or partly commercial real-estate loans	–
Receivables from credit card business	–
Receivables from leasing business	–
Receivables from companies and SMEs assigned to the exposure class companies	1 958
Receivables from consumer loans	–
Trade receivables	–
Other receivables	–
Total	**1 958**

5.2 Investment Risk

5.2.1 Investment Risks and Investment Funds
The portfolio relevant for the Disclosure Report comprises investments held directly by the NORD/LB Group that are not consolidated for regulatory purposes and not deducted from equity.

Of NORD/LB's investments, only two companies (2 per cent) directly serve strategic objectives and make up around 8 per cent of the carrying amount (IFRS) of the investment portfolio. The reason for this low percentage is that the shareholding in strategic investments is normally high and they are therefore consolidated.

The largest share of the carrying amount, around 42 per cent is accounted for by the seven investments classified as product suppliers.

Further major investment categories by carrying amount are holdings / shelf companies (19 per cent), yield investments (9 per cent), structural investments (8 per cent), private equity (5 per cent) and service providers (5 per cent). The remaining investments account for approx. 4 per cent of the carrying amount.

Investments are measured at fair value through profit or loss upon subsequent measurement. Here the value of an investment is calculated in NORD/LB using the income-value method in accordance with the Principles for the Performance of Business Valuations.

The recoverability of the investment values is reviewed regularly for accounting purposes. At the end of each quarter the investment values are reviewed for impairment based on trigger events. If an impairment has taken place, the value of the impairment is to be measured using the gross rental method. If the investment is not fully consolidated or accounted for using the equity method, an impairment test is always carried out if the fair value of the investment is above € 20 million as at the reporting date or if a revaluation reserve exists. If there is a share or market price, this is used for the measurement.

On reporting dates upon which NORD/LB prepares HGB financial statements, an impairment test is also conducted for investments whose leverage risk value (internal value to measure the worst-case scenario for investment risk) exceeds € 15 million.

Investments that were held in the portfolio prior to 1 January 2008 are treated based on the CRSA grandfathering rule in accordance with article 495 of the CRR. Investments that are not covered by the grandfathering rule exempted from the IRBA in accordance with article 150 para 1 of the CRR and are also backed by equity in accordance with CRSA regulations. Compliance with the materiality threshold is monitored constantly in accordance with art. 150 para. 2 of the CRR.

Investment funds in the banking book are always treated using the look-through approach. If the look-through approach is not possible, investment shares are allocated to the fund shares IRBA exposure class. These exposures are then included in the calculation of capital with a risk weight of 370 per cent in accordance with art. 155 of the CRR.

5.2.2 Quantitative Disclosures concerning Investment Risk

Table 39 contains an overview of the carrying amounts of investment exposures in the banking book which are not consolidated for regulatory purposes and not deducted from equity in accordance with article 447 b) and c) of the CRR. For information on the accounting policies in accordance with IFRSs, please refer to the notes to the consolidated financial statements (Note 8) in the Annual Report.

NORD/LB distinguishes in its materiality concept between three categories of investments: material, important and other investments. Internal holding companies are a further category considered using the look-through approach for risk-bearing capacity as their risk is primarily a result of the investments held by them. The materiality thresholds are based primarily on the values derived in the overall risk profile and are therefore consistent with and intertwined with the risk-bearing capacity. The carrying amounts of investment exposures are reported based on this materiality concept. As the aforementioned investment categories are monitored by Investment Management in Board Staff / Legal / Investments and the funds category is monitored by the respective market divisions, funds are reported separately.

For the sake of clarity, five investment groups are reported in Table 39, each broken down by listed and other investments.

Regarding the values reported in Table 39, the following applies: when a price is quoted on an exchange,, this is normally the fair value. For funds which are not listed the repurchase value is used. In cases in which a current value is ascertained for internal or external purposes, this is the fair value, otherwise the carrying amount is used. For investments measured using the equity method, the fair value in the disclosure reported is defined as the value of the proportionate equity.

Table 39: Carrying amounts of investment exposures

Groups of investment instruments	Comparison (in € million)		
(in € million)	Carrying amount	Fair value	Market value
Significant investments	44	44	0
of which: listed	0	0	0
of which: other	44	44	
Important investments	354	444	0
of which: listed	0	0	0
of which: other	354	444	
Other investments	163	190	8
of which: listed	0	4	8
of which: other	163	186	
Holding companies	20	20	0
of which: listed	0	0	0
of which: other	20	20	
Funds	1 270	1 286	3
of which: listed	3	3	3
of which: other	1 266	1 282	
Total	**1 851**	**1 984**	**12**

Table 40 contains in accordance with art. 447 d) and e) of the CRR contains an overview of the realised and unrealised gains or losses from investments in the banking book which are not consolidated for regulatory purposes and not deducted from equity. As in the previous reporting period, a realised profit is reported. There are also unrealised revaluation profits as at the reporting date.

Table 40: Realised profits / losses and unrealised revaluation profits / losses from investment instruments

	Realised profit / loss from sale / liquidation	Unrealised revaluation profits / losses		
		Total	of which amounts considered in	
(in € million)			Tier 1 capital	Tier 2 capital
Amounts of profits / losses	**4**	**237**	**162**	**0**

5.3 Market-price Risk

5.3.1 Market-price Risks

With regard to market-price risk, NORD/LB has employed an internal risk model for general interest-rate risk, for general and special share-price risks and for currency risk in order to ascertain the regulatory capital requirements. The calculation of the value-at-risk (VaR) ratios is based on the method of historical simulation. The standard approach is used for special interest-rate risks.

The Group subsidiaries Bremer Landesbank, Deutsche Hypo and NORD/LB Luxembourg use basically the standard approach. For the capital requirements due to general interest-rate risk at Bremer Landesbank and NORD/LB Luxembourg the duration method is used. For Bremer Landesbank, Deutsche Hypo and NORD/LB Luxembourg, no capital requirements arise from the currency risk taking into account the regulatory threshold according to art. 351 of the CRR. Share price risks are not relevant for the three Group subsidiaries.

The impact of larger market distortions on the portfolio's present value is quantified by means of stress test analyses. The scenarios used are calibrated to historically observed market data and defined by hypothetical but plausible parameter changes. Scenario analyses are performed for interest rate, currency, volatility, credit-spread, share-price and fund risks as well as their combinations.

Daily backtesting allows the identification and analysis of potential exceedance of the value at risk by the actual and hypothetical change in the value of the portfolio and thus an ongoing validation of the forecast quality of the risk model used.

NORD/LB and the Group subsidiaries also carry out regular and comprehensive model validation programmes. These include i. a.:

- Backtesting analyses on the relevant node of the portfolio tree
- Considerations of hypothetical portfolios
- Validation of the market data used
- Assessment of newly introduced products, model changes and changes in the organisational structure of the trading areas
- Analysis of the profit and loss attribution of the relevant portfolios
- Analysis of changes in the trading strategies
- Analysis of sensitivities regarding minor risk factors

Compliance with art. 104 of the CRR is ensured by appropriate policies and is regularly reviewed.

Valuation adjustments for market price uncertainty, closing costs, model risk, investment and financing costs, concentrated positions, future management costs and operational risk are determined and reported quarterly within the prudent valuation framework. The calculation model is essentially based on sensitivities from the trading systems used for control as well as parameters as a conservative quantile of the associated risk factors (yield curves, volatilities, etc.).

5.3.2 Quantitative Disclosures concerning Market-price Risk

In accordance with art. 455 of the CRR, for institutes with internal models first of all an overview of the VaR values of the relevant market-price risk exposures in the trading book and banking book is to be reported, and secondly, in accordance with article 366 (3) clause 2 of the CRR the daily VaR is to be compared with the daily changes in the value of the portfolio and significant VaR transgressions are to be disclosed.

VaR data relating to general interest-rate risks and general and specific share-price risks and currency risk in the trading and banking book determined in the internal model are shown in Table 41.

The schedule contains the VaR on the balance-sheet date, the highest and lowest VaR during the reporting period and the annual average.

The VaR for Table 41 has been calculated with a confidence level of 99 per cent and a holding period of one trading day.

Table 41: Overview of the VaR of portfolios in the trading book and currency risk in the banking book (internal model)

Value-at-Risk scenarios (in € million)	Value at Risk at the end of the reporting period	Value at Risk in the reporting period		
		Highest VaR in the reporting period	Lowest VaR in the reporting period	Average VaR in the reporting period
Aggregate VaR under normal conditions	6	7	4	6
General interest-rate risk	1	4	0	2
Share-price risk	0	0	0	0
Volatility risk	2	4	2	3
Currency risk	2	3	1	2
Aggregate VaR under stress conditions	10	21	7	12
General interest-rate risk	2	11	0	4
Share-price risk	0	2	0	2
Volatility risk	5	11	3	6
Currency risk	5	12	2	6

The diagram in Figure 1 shows the VaR values of the categories in Table 41 calculated daily at the close of business using the internal model with a confidence level of 99 per cent and a holding period of one trading day. In order to make it easier to identify any backtesting exceptions, i.e. negative changes in value in accordance with article 366 (3) clause 2 of the CRR which exceed the previous day's VaR value, the following presentation method was chosen: The change in value in accordance with article 366 (3) clause 2 of the CRR at the close of business on this date and the VaR value at the close of business of the previous day are assigned to the respective date. The VaR value is reported as a potential loss with a minus sign. This is not the backtesting of the VaR value for internal control purposes, but the relevant value in terms of regulatory requirements.

In the financial year 2016 no outliers were identified. The VaR reduction in July 2016 is based on a refined consideration of the interest rate basis risk in the course of a model change.

Figure 1: Value at Risk and hypothetical change in the value of the portfolio

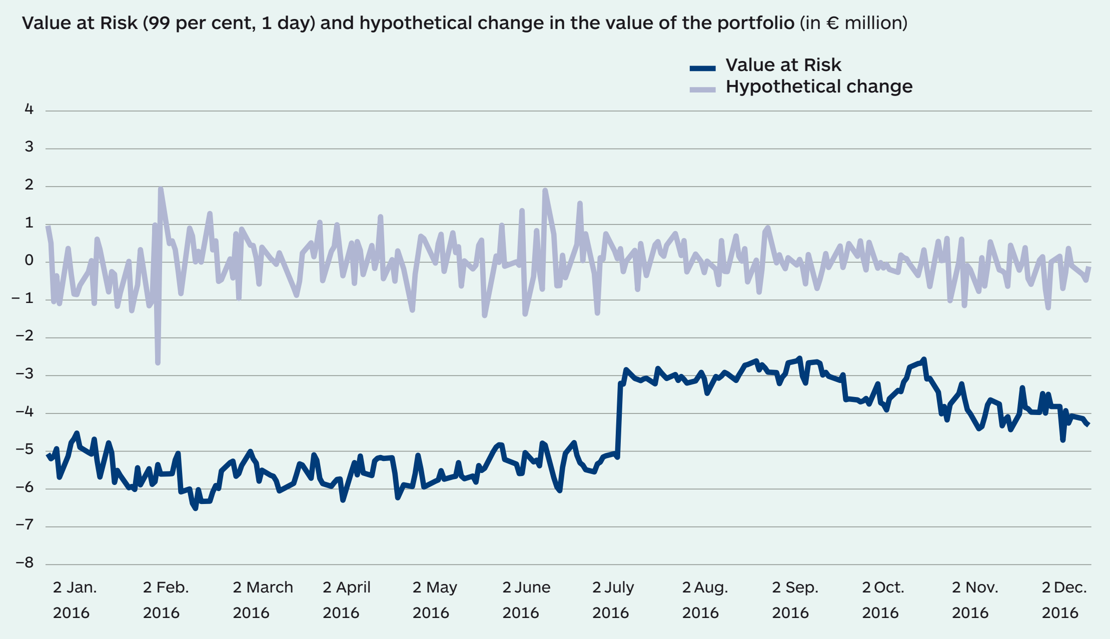

Table 42 shows the capital requirement components in accordance with art. 364 of the CRR.

Table 42: Capital requirement components in accordance with art. 364 of the CRR

VaR Multiplier (mc) x VaR 60-day average (VaRavg) (in € million)	 Previous day's value (VaRt-1) (in € million)	Stressed VaR Multiplier (ms) x SVaR 60-day average (SVaRavg) (in € million)	 Last available (SVaRt-1) (in € million)	VaR multiplier (mc)	SVaR multiplier (ms)	Capital requirement (in € million)
42	14	68	17	3.60	3.60	111

Reference is made to Table 6 in section Capital Requirements by Risk Type on capital requirements for disclosures relating to capital charge for market-price risks, presented separately for the standard approach and the internal model approach.

5.3.3 Special Disclosures concerning Interest-Rate Risk in the Banking Book

Interest-rate risks in the banking book mainly arise from liquidity and interest-rate management. In order to quantify the risk content of these positions at individual institute level on a daily basis, the VaR model, which is also used for the trading book, is applied. The quarterly calculation of the interest-rate shock in the banking book is based on the regulatory stress test involving a parallel shift in the interest rate curve by + 200 basis points or – 200 basis points. Table 43 shows the changes in present value taking into account this interest-rate shock in accordance with article 448 b) of the CRR. Increases in present values are shown as positive figures while decreases in present values are preceded by a minus sign.

In accordance with the BaFin Circular 11/2011 (BA), a shorter interval between these internal calculations was set as appropriate in each individual institute. In addition, in accordance with Federal Financial Supervisory Authority (BaFin) circular, the same procedure is used to calculate the change in the present value of every foreign currency as the procedure for positions in euros. For foreign currencies the least favourable changes in present values are added up and this total is then added to the change in the present value in the respective euro scenario. Furthermore, according to the BaFin Circular for negative interest rates a floor of zero is used so that no negative interests are generated by the application of the shock.

The models used in daily control measures are also used for interest-rate shocks. This involves mapping onto the fixed interest period for products with fixed terms and various models of stochastic products. The majority of open-end investments are shown in moving average models. Unlimited equity instruments and unlimited investments are not considered in accordance with regulatory requirements.

Table 43: Interest-rate risks in the banking book

Currency (in € million)	Change in present value in the event of interest-rate shock positive interest-rate shock (+ 200 BP)	negative interest- rate shock (– 200 BP)
AUD	0	0
CAD	4	4
CHF	– 2	0
CNH	0	0
CNY	– 1	1
CZK	0	0
DEM	0	0
DKK	0	0
EUR	– 885	75
GBP	– 8	– 3
HKD	0	0
HUF	0	0
IDR	0	0
INR	0	0
ISK	0	0
JPY	– 1	– 1
MXN	0	0
MYR	0	0
NOK	0	0
NZD	0	0
PLN	0	0
SEK	0	0
SGD	0	0
THB	0	0
TRY	0	0
USD	– 118	132
ZAR	0	0
Total	**– 1 012**	**209**

5.4 Operational Risk

5.4.1 Operational Risks

The standard approach is used in the NORD/LB Group to calculate the equity capital required for operational risk.

5.4.2 Quantitative Disclosures concerning Operational Risk

For disclosures concerning the capital adequacy requirement for operational risks, please refer to Table 6 in section Capital Requirements by Risk Type on capital requirements.

6 Asset Encumbrance

6.1 Quantitative Disclosures concerning Asset Encumbrance

The amounts in the tables 44 to 46 are based on the median of the four end-of-quarter dates in 2016.

Table 44: Encumbered and unencumbered assets (Template A – Assets)

(in € million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencum-bered assets	Fair value of unencum-bered assets
Assets of the institute	85 235		96 508	
Equity instruments	–	–	224	1 990
Debt securities	16 137	15 863	20 188	19 611
Other assets	1 438		16 250	

Table 45: Collateral received (Template B – Collateral received)

(in € million)	Fair value of encumbered collateral received or debt securities issued	Fair value of collateral received or debt securities issued available for an encumbrance
Collateral received by the institute	2 705	2 284
Equity instruments	–	–
Debt securities	2 705	1 926
Other collateral received	–	–
Own debt instruments excluding Pfandbriefe and ABS	–	291

Table 46: Liabilities (Template C – Encumbered assets / collateral received and associated liabilities)

(in € million)	Coverage of liabilities, contingent liabilities or lent securities	Assets, collateral received and other own debt securities issued excluding Pfandbriefe and ABS
Carrying amount of selected financial liabilities	74 605	87 693

6.2 Explanation of the Meaning of "Encumbrance" (Template D)

"Encumbrance" mainly results from the issue of covered bonds ("Pfandbriefe") that are secured with assets. The cover for Pfandbriefe is significantly greater that the legal requirements of the Covered Bond Act (Pfandbriefgesetz, PfandBG) and therefore raises further the reported encumbrance ratio. Other significant forms of encumbrance are secured deposits, repo and security lending transactions and derivatives. The asset encumbrance ratio has increased compared to the previous year by 4.3 percentage points.

At Group level, NORD/LB accounts for the majority of encumbered assets and re-used exposures. The remaining encumbered assets/re-used exposures are mainly split between Deutsche Hypo, Bremer Landesbank and NORD/LB Luxembourg.

The diversification of refinancing sources by investors and products plays an important role in the NORD/LB Group. In addition to uncovered securities and retail deposits, the NORD/LB Group uses in particular covered securities, including Öffentliche Pfandbriefe in euros and US dollars and Immobilienpfandbriefe, Schiffspfandbriefe and Flugzeugpfandbriefe, as well as lettres de gage issued under Luxembourgish law. The assets placed in the cover pool for and reported as encumbered under asset encumbrance are significantly above the legal requirements. There is therefore plenty of scope for issues.

According to the Covered Bond Act, Pfandbriefe have to be covered at all times by cover assets at least in the amount of the nominal value of all issues in circulation. Ship mortgages, aircraft mortgages, mortgage loans and public-sector loans refinanced by Pfandbriefe make up separate cover pools. The cover assets included primarily serve to satisfy Pfandbrief creditors and in the event of the insolvency of a Pfandbrief bank are not part of the insolvency proceedings. The claims of Pfandbrief investors are satisfied in accordance with the conditions of the respective issue from the cover pool. In addition, Pfandbrief banks are required by the Present Value Regulation (Barwertverordnung) to hold a present value cover of at least 2 per cent above the Pfandbriefe in circulation in the cover pools.

The ABS transactions originated by NORD/LB are synthetic transactions. The credit risks from the portfolios are only transferred to a degree. The risks are generally transferred by a guarantee to a special purpose entity, and from here to investors through the issue of credit-linked notes.

NORD/LB's repos are concluded with the respective counterparty under a master agreement for repos or a global master repurchase agreement (this also applies for repos with the ECB). These master agreements require, taking into account certain parameters, that if a party has a shortfall, the other party has to provide security. Security can be provided in the form of the provision of securities or cash collateral. The off-market OTC derivatives that are not subject to clearing are concluded with the respective counterparty under a master agreement for financial futures. The master agreement results in the market values of the individual derivatives concluded under this master agreement (positive and negative) being lumped together in a single equalisation payment (netting). Regarding the exposures remaining after this netting, depending on the counteryparty status, there may be a collateral obligation. In such a case, in addition to the master agreement, a Collateral Support Annex, CSA) requiring cash collateral in euros for the remaining exposures is concluded.

Derivatives that are subject to clearing are, immediately upon being concluded with a counterparty, automatically transferred to a central counterparty and the exposure remaining there after the netting of all existing derivatives is also deposited with the central counterparty with collateral (cash collateral) in accordance with the statutory and contractual provisions.

The item “other assets” (unencumbered) mainly contains derivative financial instruments.

7 Leverage Ratio

With the entry into force of the CRR on 1 January 2014, the leverage ratio was introduced as a non-risk-based indicator. Since 1 January 2015 information about the leverage ratio has to be disclosed, according to art. 451 of the CRR.

Tables 47 to 49 take account of the provisions of the Delegated Regulation (EU) 2015/62. The disclosure is based on the disclosure tables of the applicable technical standards and takes place at a consolidated level.

As at 31 December 2016 the leverage ratio for the NORD/LB Group in accordance with the transitional provisions of the Delegated Regulation was 3.68 per cent. Here a Tier 1 capital of € 7.122 billion in relation to the total exposure measure of € 193.670 billion is considered.

Table 47: Summary comparison between balance-sheet assets and the leverage ratio total exposure measure

		Estimated value 30 June 2016 (in € million)	Estimated value 31 Dec. 2016 (in € million)
1	Total assets as per published financial statements	179 166	174 797
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	3 116	3 811
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with article 429 (13) of Regulation (EU) No. 575/2013)	–	–
4	Adjustments for derivative financial instruments	– 3 699	1 111
5	Adjustment for securities financing transactions (SFTs)	3 367	1 868
6	Adjustment for off-balance sheet items (i. e. conversion to credit equivalent amounts of off-balance sheet exposures)	9 402	9 644
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (7) of Regulation (EU) No. 575/2013)	–	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (14) of Regulation (EU) No. 575/2013)	–	–
7	Other adjustments	– 1 596	2 439
8	**Leverage ratio total exposure measure**	**189 756**	**193 670**

Table 48: Standard disclosure table for the leverage ratio

		Risk positions for the CRR leverage ratio 30 June 2016 (in € million)	Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	168 194	170 244
2	(Asset amounts deducted in determining Tier 1 capital)	– 466	– 459
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**167 728**	**169 785**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	4 742	5 093
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 786	2 783
EU-5a	Exposure determined under Original Exposure Method	–	–
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	690	405
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	– 4 654	– 1 943
8	(Exempted CCP leg of client-cleared trade exposures)	– 34	– 6
9	Adjusted effective notional amount of written credit derivatives	3 047	2 855
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	– 224	– 174
11	**Total derivatives exposures (sum of lines 4 to 10)**	**6 354**	**9 012**
Exposures from securities financing transactions			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 837	2 334
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	635
14	Counterparty credit risk exposure for SFT assets	3 436	2 260
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with article 429b paragraph 4 and article 222 of Regulation (EU) No. 575/2013	–	0
15	Risk positions from agent transactions	–	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**6 273**	**5 230**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	23 896	25 953
18	(Adjustments for conversion to credit equivalent amounts)	– 14 495	– 16 309
19	Other off-balance sheet exposures (sum of lines 17 and 18)	9 402	9 644

		Risk positions for the CRR leverage ratio 30 June 2016 (in € million)	Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	–	–
EU-19b	(Exposures exempted in accordance with article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	–	–
Capital and total exposure measure			
20	Tier 1 capital	7 987	7 122
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	189 756	193 670
Leverage ratio			
22	Leverage Ratio	4.21 %	3.68 %
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transition rule	Transition rule
EU-24	Amount of derecognised fiduciary items in accordance with article 429 (11) of Regulation (EU) No. 575/2013	–	–

Table 49: Breakdown of reported risk positions (not including derivatives and securities financing transactions)

		Risk positions for the CRR leverage ratio 30 June 2016 (in € million)	Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)
EU-1	Total of on-balance-sheet risk positions (not including derivatives, SFT and excluded risk positions), of which:	168 179	168 297
EU-2	Risk positions in the trading book	4 412	5 514
EU-3	Risk positions in the banking book, of which	163 766	162 782
EU-4	Mortgage bonds	2 432	2 379
EU-5	Risk positions treated as risk positions with governments	49 585	49 920
EU-6	Risk positions with regional authorities, multilateral development banks, international organisations and public authorities that are not treated as risk positions with governments	3 429	2 848
EU-7	Banks	18 309	17 359
EU-8	Secured by mortgages on real estate	15 237	15 515
EU-9	Risk positions from Retail business	2 462	2 445
EU-10	Companies	43 848	43 919
EU-11	Positions in default	6 608	7 453
EU-12	Other risk positions (e. g. investments, securitisations and other assets that are not loan commitments)	21 857	20 945

The notification and the operational control of the leverage ratio takes place in the quarterly meetings of the Group's Asset Liability Committee (ALCO). The development of total assets is monitored operationally based on target values that are defined quarterly. If necessary, as part of the control of defined individual portfolios taking into account the maturity structure and fungibility of the assets, measures can be initiated by the ALCO to reduce the total assets and therefore raise the leverage ratio. Significant decisions relating to the control of the leverage ratio are made in the ALCO and are then notified by the Managing Board.

The risk of excessive debt is countered in NORD/LB by considering the leverage ratio in the annual planning process based on the current the current planned total assets and capital. The Finance and Risk Control Divisions of the significant subsidiaries from a risk point of view are involved in this.

For the next few years a gradual increase in the leverage ratio is planned, depending on the regulatory minimum ratio.

Starting with a leverage ratio of 4.21 per cent as at 30 June 2016, it decreased to 3.68 per cent as at 31 December 2016 due to a decrease in Tier 1 capital and an increase of the total exposure measure.

8 List of Tables (Report of NORD/LB Group)

List of Tables (Report of NORD/LB Group)

9 Disclosure Reports of Important Subsidiaries

BREMER LANDESBANK

Disclosure Report in accordance with article 13 paragraph 1 CRR for Bremer Landesbank prepared in line with the German Commercial Code (HGB) as of 31 December 2016

Contents

Disclosure Report in accordance with article 13 paragraph 1 CRR for Bremer Landesbank prepared in line with the German Commercial Code (HGB) as of 31 December 2016

The present report may contain slight rounding differences in totals and percentages.

Preamble

With this report as of 31 December 2016, Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale – , Bremen, a significant subsidiary of the Nord/LB Group, discloses all the qualitative and quantitative information required by CRR. Not included are disclosures on remuneration policy required by article 450 CRR in conjunction with the German Bank Remuneration Regulation (InstitutsVergV). As previously, these are published in a separate remuneration report.

The Disclosure Report should be read as an additional document alongside the Annual Report of Bremer Landesbank. The quantitative disclosures in this report are based on the German Commercial Code (HGB), which formed the basis for preparing regulatory reports in accordance with CRR at Bremer Landesbank. Information is disclosed about capital on the one hand and key risks on the other.

For further information on the context of risk, particularly a presentation of how risk management is organised, including the risk management models used, we refer to the Management Report of Bremer Landesbank, Principles of Bremer Landesbank and the Forecast, Risk and Opportunities Reports. Detailed notes on the development of risks in the reporting period are provided there for each main risk type, along with a forecast of expected developments.

The Disclosure Report is made public in accordance with article 434 CRR on both the website of NORD/LB at www.nordlb.de/investor-relations/berichte and on the website of Bremer Landesbank at https://www.bremerlandesbank.de/investor-relations/geschaeftsberichte/.

On 19 January 2017 an application was made to the relevant supervisory authority for a waiver as defined in section 2a (1) and (2) of the German Banking Act (KWG) in conjunction with article 7 (1) CRR. If the application is approved, BLB is exempted from certain supervisory requirements concerning its own funds at level of the individual institution. The application was approved on 31 March 2017 following approval of the consolidated financial statements.

Disclosure by institutes (section 26a paragraph 1 German Banking Act (KWG))

The governing bodies of Bremer Landesbank are the Management Board, the Supervisory Board and the Owners' Meeting. Whereas the Management Board manages the bank's business, it is the responsibility of the Supervisory Board and its committees (Risk Committee, Audit Committee, Nomination Committee, Remuneration Control Committee and Sponsorship Committee) to appoint, advise and monitor the Management Board. The Owners' Meeting is responsible for passing a resolution on the financial statements and for planning, especially decisions on fundamental matters.

The Management Board of Bremer Landesbank has four members. They are appointed for a maximum of five years and may be reappointed. The Management Board manages the bank's business on its own responsibility in accordance with statutory regulations, the bank's Articles of Association, the Guidelines and Principle for Bank Business adopted by the Supervisory Board and the Owners' Meeting and its own Rules of Procedure. In its weekly meetings the Management Board is notified regularly and promptly about the risk situation and risk management at the bank.

The maximum number of mandates permitted for members of the Management Board or Supervisory Board of Bremer Landesbank is defined by the German Banking Act (KWG). Considering the opportunities for combined mandates defined in section 25c para. 2 sentence 2 KWG and section 25d para. 3 sentence 2 KWG and the grandfathering rule in section 64r para. 14 sentence 1 KWG, the members of the Management Board of Bremer Landesbank do not exceed the maximum number of permitted mandates.

The members of the Supervisory Board must carry out their duties with the care of a proper and conscientious supervisory board member and must be reliable. In order to exercise their control function they must also have the necessary knowledge to judge and monitor the business of Bremer Landesbank and dedicate sufficient time to the exercise of their duties. They are not bound by orders or instructions. They are to carry out their work disinterestedly and responsibly. The period of office of Supervisory Board members is four years. They may be reappointed or re-elected. At the end of their period of office the existing members continue in office until the new members take over. As of 31 December 2016 the Supervisory Board consisted of 18 members. With effect from 01 January 2017 Nord/LB took over all the equity interests in Bremer Landesbank held by the Free Hanseatic City of Bremen and the Lower Saxony Association of Savings Banks. Following the corresponding changes to the Articles of Association, the number of Supervisory Board members was reduced to 12 after a transitional period. The Supervisory Board's constitutive meeting was held on 31 March 2017.

The Risk Committee advises the Supervisory Board on the bank's current and future overall risk appetite and strategy and helps it to monitor the implementation of this strategy by senior management. In addition, it is involved in extending credit in accordance with the rules for credit approvals adopted by the

Supervisory Board. At its regular meetings the Risk Committee is in particular responsible for exercising the Supervisory Board's rights and duties to advise and monitor the management of the bank. As of 31 December 2016 the Risk Committee consisted of ten members. Since 31 March 2017 and the changes mentioned above the Risk Committee has had six members.

The Risk Committee uses the auditors' report to report to the Supervisory Board on the findings of the audit of the financial statements; it uses the reports made to it by the Management Board to report on the main findings of the Internal Audit function, any serious shortcomings that have been discovered and on the annual compliance reporting. The Audit Committee has six members. The Audit Committee has knowledge of accounting or the auditing of financial statements. The Chair has knowledge of accounting and auditing financial statements.

The strategy for choosing members of the Management Board of Bremer Landesbank is defined in the Rules of Procedure for the Nomination Committee in accordance with section 25d para. 11 KWG. The Nomination Committee is responsible for preparing Supervisory Board decisions on determining candidates for appointing Management Board members and for preparing proposals for electing Supervisory Board members, unless these are nominated or delegated by the owners or elected directly by the staff of the bank in line with the provisions of applicable Employee Representation Act. In doing so the Nomination Committee takes into account the balance and diversity of knowledge, skills and experience of all the members of the Supervisory and Management Boards and indicates the amount of time required by the function. The Nomination Committee supports the Supervisory Board in particular with the regular, at least annual, review of the structure, size, composition and performance of the Management Board and the Supervisory Board and makes recommendations accordingly. In addition, the Nomination Committee discussed a target to promote the representation of the under-represented sex on the supervisory board and a strategy for achieving this on the Supervisory Board.

The Remuneration Control Committee monitors the appropriate design of the remuneration systems for the Management Board and the staff, but in particular of the staff that have a significant influence on the bank's overall risk profile. In addition, the Remuneration Control Committee assists the Supervisory Board to monitor that the internal control functions and all other relevant areas are properly included in the design of remuneration systems. It prepares Supervisory Board resolutions on the remuneration of Executive Board members and other terms of employment, taking the effects of these resolutions on the bank's risks and risk management into account. As of 31 December 2016 the Remuneration Control Committee consisted of seven members. Since 31 March 2017 and the changes mentioned above the Remuneration Control Committee has had six members.

The Sponsorship Committee advises the Management Board to the extent defined by the Owners' Meeting on donations and sponsoring to promote science, research, culture, education and other charitable or qualifying activities in the north-west region and promotes contact with the corresponding organisations and institutions. The Sponsorship Committee had three members to date; following the changes described above the Sponsorship Committee has had four members since 31 March 2017.

Structure and adequacy of own funds (article 437 CRR)

The Tier 1 equity of Bremer Landesbank after regulatory adjustments came to €601 million as of 31 December 2016.

The bank considers the items of Common Equity Tier 1 to be subscribed capital of €265 million, capital reserves of €478 million in the form of the share premium account related to subscribed capital in accordance with article 26 para. 1 sentence 1 (b) CRR, retained earnings of €600 million in accordance with article 26 para. 1 sentence 1 (c) CRR and the funds for general banking risk of €478 million as defined in section 340g HGB including section 340e HGB in accordance with article 26 para. 1 sentence 1 (b) CRR. The loss in the current financial year amounts to €1,426 million (loss for the year of €837 million, reversal of €589 million as defined in section 340g HGB).

The bank includes prudential filters of €1.92 million in its Common Equity Tier 1. The prudential filter is composed of fair value gains and losses of €0.87 million (60per cent of €1.45 million) arising from the institution's own credit risk related to derivative liabilities (article 33 para. 1 (c) CRR) and additional valuation adjustments of €0.46 million due to the requirement for prudent valuation in accordance with article 34 in conjunction with article 105 CRR.

Intangible assets of €12 million were shown as deductions from Common Equity Tier 1 items as of 31 December 2016 in accordance with article 36 (b) CRR. Taking into account the transitional provisions defined in articles 469 para. 1 (a), 478 CRR in conjunction with section 26 para. 1 Solvency Regulation (SolvV), the 40 per cent residual amount of €5 million is initially deducted from Additional Tier 1 in accordance with article 472 para. 4 CRR.

As of 31 December 2016 the bank also deducted a negative amount of €60 million for IRBA exposures in accordance with article 36 para. 1 (d) CRR. €36 million or 60 per cent of the total is deducted directly in accordance with articles 469 para. 1 (a), 478 CRR in conjunction with section 26 para. 1 SolvV. The residual amount of €24 million is initially deducted half from Tier 1 and half from Tier 2 in accordance with article 472 para. 6 CRR.

In the reporting year the bank had Additional Tier 1 capital of €150 million as defined in article 61 CRR. In accordance with the transitional provisions, the residual amounts to be deducted from Additional Tier 1 capital for the loss from current operations, intangible assets and the negative amount for IRBA exposures are deducted from Common Equity Tier 1 in accordance with article 36 para. 1 (j) CRR. The loss accounts for €570 million, intangible assets for €6 million and the negative amount for IRBA exposures for €12 million of the total deductible amount of €578 million.

€645 million of Tier 2 capital as defined in article 71 CRR was recognised as of the reporting date 31 December 2016 after deduction of the pro rata negative amount and including an IRB excess (LongFall/Squeeze). The individual items of Core 2 capital changed as follows:

Capital instruments and subordinated loans as defined in article 62 (a) CRR include longer-term subordinated liabilities of €600 million as of the reporting date 31 December 2016. The capital instruments are composed of three longer-term subordinate bearer bonds for a total nominal amount of €350 million and three longer-term subordinate registered bonds for a total nominal amount of €250 million (see section 2 Main features of the capital instruments).

The own funds of Bremer Landesbank are €1,246 million as of 31 December 2016. They are made up of €601 million of Tier 1 and €645 million of Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 instruments (€601 million) and Additional Tier 1 capital instruments (€0).

Common Equity Tier 1 consists of paid-in capital instruments (€265 million), share premium accounts (€478 million) and retained earnings (€600 million). Common Equity Tier 1 was reduced by regulatory adjustments €88 million.

Additional Tier 1 capital consists solely of effects from the transitional provisions of the CRR.

Tier 2 capital consists of paid-in capital instruments (€600 million) and eligible provisions exceeding forecast losses under the IRB approach (IRB excess of €57 million). The codified transitional rules for deductions result in a reduction of €12 million in Tier 2 capital, however.

The following Table 1 illustrates the composition of regulatory own funds during the transitional period and was drawn up in accordance with EBA/GL/2014/14 (section 6, Title VII).

Table 1 Structure of own funds during the transitional period

Own funds on the basis of EU Regulation No. 575/2013 (CRR) – Amount on disclosure date (in € million)	31.12.2015	30.12.2016
Common Equity Tier 1 (CET 1): Instruments and reserves		
Common Equity Tier 1 (CET 1) before regulatory adjustments	1,932	513
Total regulatory adjustments to Common Equity Tier 1 (CET 1)	–445	88
Common Equity Tier 1 (CET 1)	1,487	601
Addition Tier 1 capital (AT1) Instruments		
Additional Tier 1 (AT 1) before regulatory adjustments	150	150
Total regulatory adjustments to Additional Tier 1 (AT 1)	–150	–150
Addition Tier 1 capital (AT1)	0	0
Tier 1 capital (T1 = CET1 + AT1)	1,487	601
Tier 2 capital (T2): Instruments and reserves		
Tier 2 capital (T2) before regulatory adjustments	601	657
Total regulatory adjustments to Tier 2 capital (T2)	–249	–12
Tier 2 capital (T2)	352	645
Total capital (TC = T1 + T2)	1,839	1,246
Capital ratios (in accordance with article 92 (2) (b), 465 CRR		
Common equity Tier 1 capital ratio (expressed as a percentage of the total risk exposure amount)	10.76	5.29
Tier 1 capital ratio (expressed as a percentage of the total risk exposure amount)	10.76	5.29
Total capital ratio (expressed as a percentage of the total risk exposure amount)	13.31	10.97

1. Balance sheet reconciliation method (article 437 CRR)

In accordance with article 437 para. 1 (a) CRR, a reconciliation of own funds items – including prudential filters and deductions – with the audited balance sheet is provided below.

At the level of the individual institution there is no difference between the consolidation group for commercial law (HGB) and regulatory purposes.

Table 2 Reconciliation statement: Balance sheet

Assets	HGB (in € million)	Reference
1. Cash reserve	438	
2. Bonds and debt securities issued by the public sector and eligible as collateral with central banks:	0	
3. Loans and advances to banks	3,715	
4. Loans and advances to customers	20,415	
5. Debt securities and other fixed-interest securities	2,721	
6. Shares and other non-fixed-interest securities	70	
of which: Non-significant investments in Common Equity Tier 1	19	1
6a. Trading portfolio	160	
7. Equity investments	52	
of which: Significant investments in Common Equity Tier 1	49	2
of which: Non-significant investments in Common Equity Tier 1	2	1
8. Shares in affiliated companies	73	
9. Trust assets	15	
10. Equalisation claims against public sector entities, including bonds exchanged for them	0	
11. Intangible assets	12	
12. Property, plant and equipment	138	
13. Other assets	232	
of which: Non-significant investments in Additional Tier 1 capital	14	3
14. Deferrals and accruals	9	
15. Deferred tax assets	0	
Total assets	**28,050**	

Equity and liabilities	HGB (in € million)	Reference
1. Liabilities to banks	11,084	
2. Liabilities to customers	9,645	
3. Securitised liabilities	5,409	
3a. Trading portfolio	10	
of which: Debit-Value-Adjustment (DVA)	2	4
4. Trust liabilities	15	
5. Other liabilities	436	
6. Deferrals and accruals	12	
6a. Deferred tax liabilities	0	
7. Provisions	175	
8. Subordinate liabilities	600	
9. Participation certificates	150	
10. Funds for general bank risks	8	
11. Equity	506	
a) Subscribed capital	265	
aa) Share capital	265	5
ac) Other capital contributions	0	
b) Capital reserve	478	5
c) Retained earnings	600	5
ca) Statutory reserves	0	
cb) Reserves defined in the Articles of Association	0	
cc) other retained earnings	600	
d) Balance sheet profit	0	
Total equity and liabilities	**28,050**	

Table 3 Reconciliation with regulatory own funds

Reference	Basis 31 December 2016	Own funds on the basis of EU Regulation No. 575/2013 (CRR) Amount on disclosure date (in € million)	Reference to article in EU Regulation No. 575/2013	Amounts subject to treatment before EU Regulation No. 575/2013 or required residual amount under EU Regulation 575/2013 (in € million)	Reference
Common Equity Tier 1 (CET 1): Instruments and reserves					
1	Capital instruments and related share premium	743		–	
1	of which: Subscribed capital	265	EBA list in accordance with article 26 (3) CRR	–	5
1	of which: Capital reserve	478	EBA list in accordance with article 26 (3) CRR	–	5
2	Retained earnings	600	Art. 26 (1) (c) CRR	–	5
3	Cumulated other comprehensive income (and other reserves to reflect unrealised gains and losses according to applicable accounting standards)	–	Art. 26 (1) CRR	–	
3a	Funds for general bank risks	596	Art. 26(1)(f)	–	
4	Amount of items as defined in article 484 para. 3 CRR plus related share premium accounts that will no longer be eligible for CET 1	–	Art. 486 (2) CRR	–	
	State aid instruments grandfathered until 1 January 2018	–	Art. 483 (2) CRR	–	
5	Minority interest	–	Art. 84, 479, 480 CRR	–	
5a	Independently audited interim profits, less all foreseeable taxes or dividends	0	Art. 26 (2) CRR	–	
6	Common Equity Tier 1 (CET 1) before regulatory adjustments	689		–	
Common Equity Tier 1 (CET 1): regulatory adjustments					
7	Additional valuation adjustments (negative amount)	0	Art. 34, 105 CRR	–	
8	Intangible assets (less corresponding tax liabilities) (negative amount)	–7	Art. 36 (1) (b), 37, 472 (4) CRR	–5	
10	Deferred tax assets dependent on future profitability, except those resulting from temporary differences (less corresponding tax liabilities if the conditions of article 38 para. 3 are met) (negative amount)	–	Art. 36 (1) (c), 38, 472 (5) CRR	–	
11	Reserve for gains and losses from cash flow hedges held at fair value	–	Art. 33 (a) CRR	–	

12	Negative amounts resulting from the calculation of expected loss amounts	–36	Art. 36 (1) (d), 40, 159, 472 (6) CRR	–24	
13	Increase in equity resulting from securitised assets (negative amount)	–	Art. 32 (1) CRR	–	
14 (1)	Gains or losses on liabilities of the institution that are valued at fair value that result from changes in the own credit standing of the institution	–	Art. 33 (b) CRR	–	
14 (2)	All fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	–1	Art. 33 (c) CRR	–1	4
15	Defined benefit pension fund assets (negative amount)	–	Art. 36 (1) (e), 41, 472 (7) CRR	–	
16	Direct and indirect holdings by an institution of own Common Equity Tier 1 instruments (negative amount)	–	Art. 36 (1) (f), 42, 472 (8) CRR	–	
17	direct, indirect and synthetic holdings of the Common Equity Tier 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the institution that the competent authority considers to have been designed to inflate artificially the own funds of the institution (negative amount)	–	Art. 36 (1) (g), 44, 472 (9) CRR	–	
18	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (less than 10 per cent and less eligible sales exposures)	6	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79,472 (10) CRR	–	1
19	Direct, indirect and synthetic holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (more than 10 per cent and less eligible sales exposures)	3	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 bis 3), 79, 470, 472 (11) CRR	–	2
20a	The exposure amount of the following items which qualify for a risk weight of 1 250 per cent, where the institution deducts that exposure amount from the amount of Common Equity Tier 1 items	–	Art. 36 (1) (k) CRR	–	
20b	of which: qualified investments outside the finance sector (negative amount)	–	Art. 36 (1) (k) (i), 89, 90, 91 CRR	–	
20c	of which: Securitised exposures (negative amount)	–	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 CRR	–	
20d	of which: Free deliveries (negative amount)	–	Art. 36 (1) (k) (iii), 379 (3) CRR	–	
21	Deferred tax assets dependent on future profitability resulting from temporary differences (above the 10 per cent threshold less corresponding tax liabilities if the conditions of article 38 para. 3 are met) (negative amount)	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	
22	Amount exceeding the threshold of 15 per cent (negative amount)	–	Art. 48 (1) CRR	–	
23	of which: direct and indirect holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities	–	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) CRR	–	
25	of which: deferred tax assets dependent on future profitability resulting from temporary differences	–	Art. 36 (1) (c), 38,48 (1) (a), 470, 472 (5) CRR	–	

25a	Losses for the current financial year (negative amount)	–1,426	Art. 36 (1) (a), 472 (3) CRR	–
25b	Foreseeable tax charge relating to Common Equity Tier 1 items (negative amount)	–	Art. 36 (1) (l) CRR	–
26	Regulatory adjustments to Common Equity Tier 1 capital relating to amounts subject to pre-CRR treatment	–		–
26a	Regulatory adjustments related to unrealised gains and losses in accordance with articles 467 and 468 CRR	–	Art. 467, 468 CRR	–
	of which: Unrealised gains	–		–
	of which: Unrealised losses on government bonds	–		–
26b	Amount to be added to or deducted from Common Equity Tier 1 items by way of additional deductions and prudential filters, and deductions required according to the pre-CRR treatment	–	Art. 481 CRR	–
	of which: Other deductions from Common Equity Tier 1 items	–	Art. 481 CRR	–
27	the amount of items required to be deducted from Additional Tier 1 items that exceeds the Additional Tier 1 capital of the institution (negative amount)	–437	Art. 36 (1) (j) CRR	–
28	Total regulatory adjustments to Common Equity Tier 1 (CET 1)	88		–
29	Common Equity Tier 1 (CET 1)	601		–
Addition Tier 1 capital (AT1) Instruments				
30	Capital instruments and related share premium	150	Art. 51, 52 CRR	–
31	of which: classified as equity according to applicable accounting standards	150		–
32	of which: classified as liabilities according to applicable accounting standards	–		–
33	Amount of items as defined in article 484 para. 4 plus related share premium accounts that will no longer be eligible for AT 1	–	Art. 486 (3) CRR	–
	State aid instruments grandfathered until 1 January 2018	–	Art. 483 (3) CRR	–
34	Qualifying Tier 1 instruments included in consolidated Tier 1 capital (including minority interests not included in Common Equity Tier 1), issued by subsidiaries and held by third parties	–	Art. 85, 86, 480 CRR	–
35	of which instruments issued by subsidiaries that will no longer be eligible	–	Art. 486 (3) CRR	–
36	Additional Tier 1 (AT 1) before regulatory adjustments	150		–
Additional Tier 1 (AT 1): regulatory adjustments				
37	Direct and indirect holdings by an institution of own Additional Tier 1 instruments (negative amount)	–	Art. 52 (1) (b), 56 (a), 57, 475 (2) CRR	–
38	direct, indirect and synthetic holdings of the Additional Tier 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the institution that the competent authority considers to have been designed to inflate artificially the own funds of the institution (negative amount)	–	Art. 56 (b), 58, 475 (3) CRR	–

39	Direct and indirect holdings by the institution of Additional Tier 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (less than 10 per cent and less eligible sales exposures)	14	Art.56 (c), 59, 60, 79, 475 (4) CRR	–	3
40	Direct, indirect and synthetic holdings by the institution of Additional Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (more than 10 per cent and less eligible sales exposures)	–	Art. 56 (d), 59, 79, 475 (4) CRR	–	
41	Regulatory adjustments to Additional Tier 1 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period, for which grandfathering rules apply in accordance with EU Regulation 575/2013 (CRR residual amounts)	–		–	
41a	Residual amounts to be deducted from Additional Tier 1 capital relating to items to be deducted from Common Equity Tier 1 items during the transitional period in accordance with article 472 of EU Regulation No. 575/2013.	–587	Art. 472, 472 Abs. 3a, 4, 6, 8 (a) , 9, 10a und 11a CRR	–	
	of which: Loss for the current financial year	–570			
	of which: Intangible assets	–5		–	
	of which: Negative amount between valuation adjustments and expected loss	–12		–	
41b	Residual amounts to be deducted from Additional Tier 1 capital relating to items to be deducted from Tier 2 items during the transitional period in accordance with article 475 of EU Regulation No. 575/2013.	–	Art. 477, 477 Abs. 3 und 4a CRR	–	
	of which:	–		–	
41c	Amount to be added to or deducted from Additional Tier 1 items by way of additional deductions and prudential filters, and deductions required according to the pre-CRR treatment	–	Art. 467, 468, 481 CRR	–	
	of which: Amount of items required to be deducted from Additional Tier 1 items that exceeds the Additional Tier 1 capital of the institution that was included in Common Equity Tier 1	–		–	
42	Amount of items required to be deducted from Tier 2 items that exceeds the Tier 2 capital of the institution (negative amount)	–437	Art. 56 (e) CRR	–	
43	Total regulatory adjustments to Additional Tier 1 (AT 1)	–587		–	
44	Addition Tier 1 capital (AT1)	0		–	
45	Tier 1 capital (T1 = CET1 + AT1)	601		–	
Tier 2 capital (T2): Instruments and reserves					
46	Capital instruments and related share premium	600	Art. 62, 63 CRR	–	
47	Amount of items as defined in article 484 para. 5 plus related share premium accounts that will no longer be eligible for T2	–	Art. 486 (4) CRR	–	
	State aid instruments grandfathered until 1 January 2018	–	Art. 483 (4) CRR	–	

48	Qualifying own fund instruments included in consolidated Tier 2 capital (including as yet unrecognised minority interests and AT1 instruments), issued by subsidiaries and held by third parties	–	Art. 87, 88, 480 CRR	–
49	of which instruments issued by subsidiaries that will no longer be eligible	–	Art. 486 (4) CRR	–
50	Credit risk adjustments	–	Art. 62 (c) and (d) CRR	–
51	Tier 2 capital (T2) before regulatory adjustments	689		–
Tier 2 capital (T2): regulatory adjustments				
52	Direct and indirect holdings by an institution of own Tier 2 instruments and subordinate loan instruments (negative amount)	–	Art. 63 (b) (i), 66 (a), 67, 477 (2) CRR	–
53	Direct, indirect and synthetic holdings by the institution of Tier 2 instruments or subordinate loan instruments from financial sector entities where those entities have a reciprocal cross holding with the institution that the competent authority considers to have been designed to inflate artificially the own funds of the institution (negative amount)	–	Art. 66 (b), 68, 477 (3) CRR	–
54	Direct and indirect holdings by the institution of Tier 2 instruments or subordinate loans from financial sector entities where the institution does not have a significant investment in those entities (less than 10 per cent and less eligible sales exposures) (negative amount)	–	Art. 66 (c), 69, 70, 79, 477 (4) CRR	–
54a	of which: new exposures not subject to transitional provisions	–		–
54b	of which: exposures in existence before 1 January 2013 and subject to transitional provisions	–		–
55	Direct, indirect and synthetic holdings by the institution of Tier 2 instruments or subordinate loans from financial sector entities where the institution has a significant investment in those entities (more than 10 per cent and less eligible sales exposures) (negative amount)	–	Art. 66 (d), 69, 79, 477 (4) CRR	–
56	Regulatory adjustments to Tier 2 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period, for which grandfathering rules apply in accordance with EU Regulation 575/2013 (CRR residual amounts)	–		–
56a	Residual amounts to be deducted from Tier 2 capital relating to items to be deducted from Common Equity Tier 1 items during the transitional period in accordance with article 472 of EU Regulation No. 575/2013.	–12	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) CRR	–
	of which: Negative amount between valuation adjustments and expected loss	–12		–
56b	Residual amounts to be deducted from Tier 2 capital relating to items to be deducted from Additional Tier 1 items during the transitional period in accordance with article 475 of EU Regulation No. 575/2013.	–	Art. 475, 475 (2) (a), (3), (4) (a) CRR	–
	of which:	–		–
56c	Amount to be added to or deducted from Tier 2 items by way of additional deductions and prudential filters, and deductions required according to the pre-CRR treatment	–	Art. 467, 468, 481 CRR	–

	of which: Adjustments due to grandfathering rules	–		–	
57	Total regulatory adjustments to Tier 2 capital (T2)	–12		–	
58	Tier 2 capital (T2)	645		–	
59	Total capital (TC = T1 + T2)	1,246		–	
Risk-weighted assets					
59a	Risk-weighted assets relating to amounts subject to pre-CRR treatment and treatment during the transitional period, for which grandfathering rules apply in accordance with EU Regulation 575/2013 (CRR residual amounts)	–		–	
	of which: items not deducted from Common Equity Tier 1 (EU Regulation No. 575/2013, residual amounts)	n/a	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) CRR	–	
	of which: items not deducted from Additional Tier 1 capital (EU Regulation No. 575/2013, residual amounts)	n/a	Art. 475, 475 (2) (b), (2) (c) and (4) (b) CRR	–	
	of which: items not deducted from Tier 2 capital (EU Regulation No. 575/2013, residual amounts)	n/a	Art. 477, 477 (2) (b), (2) (c), (4) (b) CRR	–	
60	Total Risk-weighted assets	11,362		–	
	of which: Credit risk	10,280		–	
	of which: Credit valuation adjustment (CVA)	93		–	
	of which: Market price risk	140		–	
	of which: Operational risk	849		–	
Equity ratios and buffers					
61	Common equity Tier 1 capital ratio (expressed as a percentage of the total risk exposure amount)	5.29	Art. 92 (2) (a), 465 CRR	–	
62	Tier 1 capital ratio (expressed as a percentage of the total risk exposure amount)	5.29	Art. 92 (2) (b), 465 CRR	–	
63	Total capital ratio (expressed as a percentage of the total risk exposure amount)	10.97	Art. 92 (2) (c) CRR	–	
64	Institute-specific requirement for capital buffers (minimum requirement for Common Equity Tier 1 ratio in accordance with article 92 para. 1 (a), plus requirement for capital conservation buffer and anticyclical capital buffer, systemic risk buffer and buffer for systemically important institutes (G-SII or A-SII), expressed as a percentage of the total risk exposure amount)	5.13	Art. 128, 129, 130 CRD IV	–	
65	of which: Capital conservation buffer	0.63		–	
66	of which: anticyclical buffer	0.00		–	
67	of which: systemic risk buffer	–		–	
67a	of which: buffer for institutes of global systemic importance (G-SII) or other institutes of systemic importance (A-SII)	–	Art. 131 CRD IV	–	
68	Common Equity Tier 1 available for the buffers (expressed as a percentage of total risk exposure)	0.17	Art. 128 CRD IV	–	
Amounts below the deduction threshold (before risk weighting)					
72	Direct and indirect holdings by the institution of capital instruments of financial sector entities where the institution does not have a significant investment in those entities (less than 10 per cent and less eligible sales exposures)	20	Art. 36 (1) (h), 45, 46, 472 (10) , 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) CRR	–	1+3

73	Direct and indirect holdings by the institution of Common Equity Tier 1 instruments of financial sector entities where the institution has a significant investment in those entities (more than 10 per cent and less eligible sales exposures)	3	Art. 36 (1) (i), 45, 48, 470, 472 (11) CRR	–	2
75	Deferred tax assets dependent on future profitability resulting from temporary differences (below the 10 per cent threshold less corresponding tax liabilities if the conditions of article 38 para. 3 are met)	–	Art. 36 (1) (c), 38, 48 470, 472 (5) CRR	–	
Applicable limits for including valuation adjustments in Tier 2 capital					
76	Credit risk adjustments eligible for Tier 2 capital relating to receivables to which the standard approach applies (before application of the upper limit)	–	Art. 62 CRR	–	
77	Upper limit for the eligibility of credit risk adjustments for Tier 2 capital as part of the standard approach	0	Art. 62 CRR	–	
78	Credit risk adjustments eligible for Tier 2 capital relating to receivables to which the internal ratings–based approach applies (before application of the upper limit)	–	Art. 62 CRR	–	
79	Upper limit for the eligibility of credit risk adjustments for Tier 2 capital as part of the internal ratings-based approach	57	Art. 62 CRR	–	
Equity instruments covered by grandfathering rules (only applicable from 01 January 2013 to 01 January 2022)					
80	Current upper limit for grandfathered CET 1 instruments	0	Art. 484 (3), 486 (2), (5) CRR	–	
81	Amount excluded from CET 1 due to upper limit (amount exceeding upper limit after repayments and maturities)	0	Art. 484 (3), 486 (2), (5) CRR	–	
82	Current upper limit for grandfathered AT 1 instruments	–	Art. 484 (4), 486 (3), (5) CRR	–	
83	Amount excluded from AT 1 due to upper limit (amount exceeding upper limit after repayments and maturities)	–	Art. 484 (4), 486 (3), (5) CRR	–	
84	Current upper limit for grandfathered T 2 instruments	–	Art. 484 (5), 486 (4), (5) CRR	–	
85	Amount excluded from T 2 due to upper limit (amount exceeding upper limit after repayments and maturities)	–	Art. 484 (5), 486 (4), (5) CRR	–	

Comments on reconciliation statement

1 The non-significant investments in Common Equity Tier 1 are not deducted from Common Equity Tier 1 because they are below the threshold.

2 The significant investments in Common Equity Tier 1 are not deducted from Common Equity Tier 1 because they are below the threshold.

3 The non-significant investments in Additional Tier 1 are not deducted from Additional Tier 1 because they are below the threshold.

4 Only 60 per cent of the prudential filter debit-value adjustment (DVA) is deducted from Common Equity Tier 1 in accordance with the transitional arrangements.

5 For the item Subscribed capital, capital reserve and retained earnings there is no difference between commercial law and regulatory treatment.

2. Main features of capital instruments (article 437 CRR)

Table 4 Main features of capital instruments

No.	Main features of capital instruments	Share capital	Capital reserve	Subordinate AT 1 bearer bond	Subordinate AT 1 bearer bond
1	Issuer	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))
2	Standard code (e.g. CUSIP, ISIN or Bloomberg code for private placement)	Paid-up capital instruments	Additional paid-in capital	DE000BRL00A4	DE000BRL00B2
3	Law governing the instrument	German law	German law	German law	German law
	Regulatory treatment				
4	CRR transitional arrangements	Common Equity Tier 1	Common Equity Tier 1	Additional Tier 1 capital	Additional Tier 1 capital
5	CRR arrangements after transitional period	Common Equity Tier 1	Common Equity Tier 1	Additional Tier 1 capital	Additional Tier 1 capital
6	Eligible at solo/group/solo and group level	Solo	Solo	Solo and (part) consolidated	Solo and (part) consolidated
7	Type of instrument (types from each country to be specified)	Share capital	Capital reserve	Subordinate AT 1 bearer bond	Subordinate AT 1 bearer bond
8	Amount eligible for regulatory own funds (currency in million, as of last reporting date)	265	478	50	100
9	Nominal value of instrument (in € million)	265	478	50	100
9a	Issue price	–	–	100%	100%
9b	Redemption price	–	–	Carrying or nominal amount, written down if applicable	Carrying or nominal amount, written down if applicable
10	Accounting classification	Subscribed capital	Capital reserve	Liability – at amortised cost	Liability – at amortised cost
11	Original issue date	1983 and 2012	2004 and 2012	29/06/2015	28/12/2015
12	Perpetual or with expiry date	Perpetual	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Callable by issuer with prior regulatory approval	No	No	Yes	Yes

15	Optional call date, contingent call dates and redemption amount	No	No	Early redemption right for issuer for regulatory reasons and tax reasons: With notice of not less than 35 and not more than 60 days according to section 5 (2 and 3) of the terms of the bond; in total, not partially and with approval of the supervisory authority Early redemption at the discretion of the issuer: no earlier than 29 June 2020 and thereafter as of each interest payment date, giving notice of not less than 35 days according to section 5 (4) of the terms of the bond; in total, not partially and with approval of the supervisory authority.	Early redemption right for issuer for regulatory reasons and tax reasons: With notice of not less than 35 and not more than 60 days according to section 5 (2 and 3) of the terms of the bond; in total, not partially and with approval of the supervisory authority Early redemption at the discretion of the issuer: no earlier than 29 June 2021 and thereafter as of each interest payment date, giving notice of not less than 35 days according to section 5 (4) of the terms of the bond; in total, not partially and with approval of the supervisory authority.
16	Later termination dates, if applicable	No	No	see No. 15	see No. 15
	Coupons/Dividends				
17	Fixed or variable dividend/coupon payments	Floating interest	No interest	Fixed interest floating from 29 June 2020	Fixed interest floating from 29 June 2021
18	Nominal coupon and any reference index	–	–	Fixed 8.5 per cent until 28 June 2020 incl. floating 12-month Euribor +7.968 per cent from 29 June 2020 inclusive	Fixed 9.5 per cent until 28 June 2021 incl. floating 12-month Euribor +9.135 per cent from 29 June 2021 inclusive
19	Does a dividend stop exist?	–	–	No	No
20a	Completely discretionary, partly discretionary or obligatory (time)	Completely discretionary	–	Completely discretionary	Completely discretionary
20b	Completely discretionary, partly discretionary or obligatory (amount)	Completely discretionary	–	Completely discretionary	Completely discretionary
21	Is there a cost-escalation clause or other redemption incentive?	No	No	No	No
22	Non-cumulative or cumulative	–	–	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: trigger for conversion	–	–	–	–
25	If convertible: in full or in part	–	–	–	–

26	If convertible: conversion rate	–	-	–	–
27	If convertible: conversion obligatory or discretionary	–	–	–	–
28	If convertible: type of instrument converted into	–	–	–	–
29	If convertible: issuer of instrument converted into	–	–	–	–
30	Write-down criteria	No	No	Yes	Yes
31	If write-down: trigger for write-down	–	–	Trigger CET 1 ratio below 5.125 per cent	Trigger CET 1 ratio below 5.125 per cent
32	If write-down; in full or in part	–	–	Write-downs correspond to amount necessary to restore the minimum CET 1 quota of 5.125 per cent	Write-downs correspond to amount necessary to restore the minimum CET 1 quota of 5.125 per cent
33	If write-down: permanent or temporary	–	–	temporary	temporary
34	If temporary write-down: mechanism for write-back	–	–	Write-back, if (including other write-ups and interest payments on AT 1 instruments) corresponding net income for the year and a “maximum distributable amount” as defined in CRD IV article 141 para. 2 are available and the trigger ratio is exceeded before and afterwards	Write-back, if (including other write-ups and interest payments on AT 1 instruments) corresponding net income for the year and a “maximum distributable amount” as defined in CRD IV article 141 para. 2 are available and the trigger ratio is exceeded before and afterwards
35	Rank in the event of liquidation (name the higher-ranking instrument in each case)	Last ranking	Last ranking	subordinate to Tier 2 capital	subordinate to Tier 2 capital
36	Irregular features of the converted instruments	–	–	No	No
37	Mention any irregular features	–	–	No	No

No.	Main features of capital instruments	subordinated registered bond		
1	Issuer	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))
2	Standard code (e.g. CUSIP, ISIN or Bloomberg code for private placement)			
3	Law governing the instrument	German law	German law	German law
	Regulatory treatment			
4	CRR transitional arrangements	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR arrangements after transitional period	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/group/solo and group level	Solo and (part) consolidated	Solo and (part) consolidated	Solo and (part) consolidated
7	Type of instrument (types from each country to be specified)	Subordinated registered bond	Subordinated registered bond	Subordinated registered bond
8	Amount eligible for regulatory own funds (currency in million, as of last reporting date)	50	150	50
9	Nominal value of instrument (in € million)	50	150	50
9a	Issue price	100.00%	100.00%	100.00%
9b	Redemption price	100.00%	100.00%	100.00%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original issue date	06/11/2012	16/11/2012	11/09/2013
12	Perpetual or with expiry date	With expiry date	With expiry date	With expiry date
13	Original maturity date	06/12/2027	16/11/2027	11/09/2028
14	Callable by issuer with prior regulatory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Early redemption at the discretion of the issuer: no earlier than 06 December 2022 and thereafter as of each interest payment date, giving notice of not less than 5 business days according to section 5 (3) of the terms of the bond; in total, not partially and with approval of the supervisory authority. Early redemption right of the issuer for regulatory reasons: With notice of not less than 30 and not more than 60 days according to section 5 (2) of the terms of the bond; in total, not partially and with approval of the supervisory authority	Early redemption at the discretion of the issuer: no earlier than 16 November 2022 and thereafter as of each interest payment date, giving notice of not less than 5 business days according to section 5 (3) of the terms of the bond; in total, not partially and with approval of the supervisory authority. Early redemption right of the issuer for regulatory reasons: With notice of not less than 30 and not more than 60 days according to section 5 (2) of the terms of the bond; in total, not partially and with approval of the supervisory authority	Early redemption at the discretion of the issuer: no earlier than 11 September 2023 and thereafter as of each interest payment date, giving notice of not less than 5 business days according to section 5 (3) of the terms of the bond; in total, not partially and with approval of the supervisory authority. Early redemption right of the issuer for regulatory reasons: With notice of not less than 30 and not more than 60 days according to section 5 (2) of the terms of the bond; in total, not partially and with approval of the supervisory authority
16	Later termination dates, if applicable	–	–	–
	Coupons/Dividends			
17	Fixed or variable dividend/coupon payments	Variable interest	Variable interest	Variable interest
18	Nominal coupon and any	6-month Euribor +3.50%	6-month Euribor +3.50%	6-month Euribor +3.40%

	reference index			
19	Does a dividend stop exist?	No	No	No
20a	Completely discretionary, partly discretionary or obligatory (time)	Obligatory	Obligatory	Obligatory
20b	Completely discretionary, partly discretionary or obligatory (amount)	Obligatory	Obligatory	Obligatory
21	Is there a cost-escalation clause or other redemption incentive?	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: trigger for conversion	–	–	–
25	If convertible: in full or in part	–	–	–
26	If convertible: conversion rate	–	–	–
27	If convertible: conversion obligatory or discretionary	–	–	–
28	If convertible: type of instrument converted into	–	–	–
29	If convertible: issuer of instrument converted into	–	–	–
30	Write-down criteria	No	No	No
31	If written-down: trigger for write-down	–	–	–
32	If write-down; in full or in part	–	–	–
33	If write-down: permanent or temporary	–	–	–
34	If temporary write-down: mechanism for write-back	–	–	–
35	Rank in the event of liquidation (name the higher-ranking instrument in each case)	Non-subordinate liabilities rank higher	Non-subordinate liabilities rank higher	Non-subordinate liabilities rank higher
36	Irregular features of the converted instruments	No	No	No
37	Mention any irregular features	–	–	–

No.	Main features of capital instruments	subordinate bear bonds		
1	Issuer	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))	Bremer Landesbank (public-law institute (AöR))
2	Standard code (e.g. CUSIP, ISIN or Bloomberg code for private placement)	XS0113243397	XS0126529337	XS0127597036
3	Law governing the instrument	English law	English law	English law
	Regulatory treatment			
4	CRR transitional arrangements	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR arrangements after transitional period	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo/group/solo and group level	Solo and (part) consolidated	Solo and (part) consolidated	Solo and (part) consolidated
7	Type of instrument (types from each country to be specified)	Subordinate bearer bond	Subordinate bearer bond	Subordinate bearer bond
8	Amount eligible for regulatory own funds (currency in million, as of last reporting date)	200	85	65
9	Nominal value of instrument (in € million)	200	85	65
9a	Issue price	100.00%	100.50%	100.00%
9b	Redemption price	100.00%	100.00%	100.00%
10	Accounting classification	Liability – amortised cost	Liability – amortised cost	Liability – amortised cost
11	Original issue date	28/06/2000	21/03/2001	05/04/2001
12	Indefinite or with expiry date	With expiry date	With expiry date	With expiry date
13	Original maturity date	28/06/2030	21/03/2031	05/04/2041
14	Callable by issuer with prior regulatory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Early redemption right for issuer in the event of tax changes in accordance with section 6.01 of the terms of the bond under German law	Early redemption right for issuer in the event of tax changes in accordance with section 6.01 of the terms of the bond under German law	Early redemption right for issuer in the event of tax changes in accordance with section 6.01 of the terms of the bond under German law
16	Later termination dates, if applicable	–	–	–
	Coupons/Dividends			
17	Fixed or variable dividend/coupon payments	Variable interest	Variable interest	Variable interest
18	Nominal coupon and any reference index	6-month Euribor +0.375%	6-month Euribor +0.350%	6-month Euribor +0.380%
19	Does a dividend stop exist?	No	No	No
20a	Completely discretionary, partly discretionary or obligatory (time)	Obligatory	Obligatory	Obligatory
20b	Completely discretionary, partly discretionary or obligatory (amount)	Obligatory	Obligatory	Obligatory
21	Is there a cost-escalation clause or other redemption incentive?	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible: trigger for conversion	–	–	–

25	If convertible: in full or in part	–	–	–
26	If convertible: conversion rate	–	–	–
27	If convertible: conversion obligatory or discretionary	–	–	–
28	If convertible: type of instrument converted into	–	–	–
29	If convertible: issuer of instrument converted into	–	–	–
30	Write-down criteria	No	No	No
31	If written-down: trigger for write-down	–	–	–
32	If write-down; in full or in part	–	–	–
33	If write-down: permanent or temporary	–	–	–
34	If temporary write-down: mechanism for write-back	–	–	–
35	Rank in the event of liquidation (name the higher-ranking instrument in each case)	Non-subordinate liabilities rank higher	Non-subordinate liabilities rank higher	Non-subordinate liabilities rank higher
36	Irregular features of the converted instruments	No	No	No
37	Mention any irregular features	–	–	–

The issue prospectus for the subordinate AT 1 bearer bond for €50.2 million (DE000BRL00A4) is publicly available on our website at Investor Relations-Basic prospectus/Issue conditions For all other capital instruments mentioned Bremer Landesbank has no obligation to make information public

3. Capital requirements for each risk type (article 438 CRR)

Table 5 shows the regulatory capital requirements for Bremer Landesbank, divided by the main risk types and approaches.

Table 5 Capital requirements

Capital requirements (in € million)	Capital requirement 31.12.2015	Risk-weighted assets 31.12.2015	Capital requirement 31/12/2016	Risk-weighted assets 31/12/2016
1 Credit risks				
1.1 Credit risk standard approach				
Central governments	–	–	–	–
Regional governments and local authorities	0	0	0	0
Other public-sector entities	0	1	0	1
Multilateral development banks	–	–	–	–
International organisations	–	–	–	–
Institutions	2	21	1	15
Corporates	12	152	12	155
Retail business	12	147	10	120
Exposures secured by property	11	143	11	140
Defaulted exposures	0	4	0	4
Particularly high-risk exposures	0	0	0	0
Covered bonds issued by banks	–	–	–	–
Exposures to institutes and companies with short-term credit score	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–
Other exposures	–	–	–	–
Total credit risk standard approach	**38**	**469**	**35**	**436**
1.2 IRB approaches	**–**	**–**		
Central governments	0	1	0	3
Institutions	69	860	51	637
Corporates – SME	31	388	30	369
Corporates – special funding	603	7,536	449	5,613
Corporates – other	225	2,817	184	2,300
Retail business – of which secured by land charges, SME	–	–	–	–
Retail business – of which secured by land charges, not SME	–	–	–	–
Retail business – of which qualified, revolving	–	–	–	–
Retail business – of which other, SME	–	–	–	–
Retail business – of which other, not SME	–	–	–	–
Other credit-independent assets	10	122	21	259
Total IRB approaches	**938**	**11,723**	**734**	**9,181**
1.3 Securitised assets	**–**	**–**		
Securitised assets in standard approach	–	–	–	–
of which: re-securitised assets	–	–	–	–
Securitised assets in IRB approach	20	254	39	492
of which: re-securitised assets	–	–	–	–
Total securitised assets	**20**	**254**	**39**	**492**

1.4 Equity investments	**–**	**–**		
Equity investments in IRB approach	1	9	1	12
of which Internal Model approach	–	–	–	–
of which PD/LGD approach	–	–	–	–
of which simple risk-weighting approach	1	9	1	12
of which publicly traded equity investments	–	–	–	–
of which equity investments not publicly traded, but part of a diversified portfolio of equity investments	–	–	–	–
of which other equity investments	1	9	1	12
Equity investments in standard approach	21	258	13	159
of which grandfathered equity investments	–	–	–	–
Total equity investments	**21**	**267**	**14**	**171**
1.5 Exposure amount for contributions to default fund of a central counterparty	**0**	**0**	**0**	**0**
Total credit risks	**1,017**	**12,714**	**822**	**10,280**
2. Settlement risks	**–**	**–**		
Settlement risks in banking book	–	–	–	–
Settlement risks in trading book	–	–	–	–
Total settlement risks	**–**	**–**	**–**	**–**
3. Market price risks	**–**	**–**		
Standard approach	12	148	11	140
of which: Interest rate risks	12	148	11	140
of which: General and particular price risk (net interest position)	12	148	11	140
of which: Particular price risk for securitised exposures in trading book	–	–	–	–
of which: Particular price risk in correlation trading portfolio	–	–	–	–
of which: share price risks	–	–	–	–
of which: Exchange rate risks	–	–	–	–
of which: Risks from commodity exposures	–	–	–	–
Internal Model approach	–	–	–	–
Total market price risks	**12**	**148**	**11**	**140**
4. Operational risks	**–**	**–**		
Basic indicator approach	–	–	–	–
Standard approach	70	881	68	849
Advanced measurement approach	–	–	–	–
Total operational risks	**70**	**881**	**68**	**849**
5. Total amount of exposures for credit value adjustment	**6**	**72**	**7**	**93**
6. Total amount of large exposures in trading book	**–**	**–**	**–**	**–**
7. Other	**–**	**–**		
Other exposures	–	–	–	–
Total capital requirements	**1,105**	**13,815**	**909**	**11,362**

For further information on the risk context, particularly an evaluation of the approach by which the institute measures the adequacy of its internal capital for its current and future activities, we refer to the Management Report of Bremer Landesbank, Principles of Bremer Landesbank and the Forecast, Risk and Opportunities Reports. Detailed notes on the development of risks in the reporting period are provided there for each main risk type, along with a forecast of expected developments.

4. Security mechanisms at the level of the institute (article 438 CRR)

In addition to its own capital adequacy, Bremer Landesbank is a member of the Security Reserve of the Landesbanken and so is also part of the joint liability alliance of the Savings Bank Finance Group.

Credit risk

5. Credit risks (Art. 438 CRR)

Bremer Landesbank uses the Internal Ratings-Based Approach (IRBA) to measure the capital weighting for credit risks.

Partial use is also applied to exposures for which no internal rating process is available for lack of an appropriate methodology; furthermore Bremer Landesbank's retail business is exempt from the IRBA. Regular rating checks are used to ensure compliance with the required rating coverage ratio of 92 per cent.

Bremer Landesbank can use securitisation as an instrument to manage its credit risks. The aim of its securitisation activities is to reduce the amount of regulatory capital it has to hold. To diversify its credit portfolio, the credit risks in its own books can be passed on to other market participants. Bremer Landesbank originated its first securitisation transaction in 2015 (initial volume of approx. €2.145 billion) and continued its activities as planned in the first half of 2016. In this period Bremer Landesbank again originated a synthetic securitisation for a credit portfolio with an initial volume of some €3.421 billion from the asset classes renewable energy, corporate clients, social housing, commercial property and leasing. To hedge the credit risks a guarantee for an initial volume of approx. €94 million was signed with a private investor with effect from 30 June 2016. The contractual term of the guarantee is 10 years, plus a period of up to two years to process incomplete asset realisations.

6. Total credit volume (art. 452e CRR)

Table 6 below shows the entire credit volume of Bremer Landesbank, divided into PD classes (without retail) in accordance with article 452e CRR.

Table 6 Total credit volume by PD classes (without retail)

Exposure class 31/12/2016	Total amount of open credit commitments (in € million)	Position values (in € million)	of which open credit commitments	Avg. PD (in %)	Position value weighted by PD (in € million)	Avg. RW (in %)	Position value weighted by RW (in € million)
			PD class 1: PD 0% to <0.5%				
Central governments	–	135	–	0.00	0	0.00	0
Institutions	856	1,621	–	0.14	2	31.24	506
Corporates	2,040	5,322	822	0.16	9	36.37	1,936
Equity investments	–	–	–	–	–	–	–
Total	**2,896**	**7,078**	**822**		**11**		**2,442**
			PD class 2: PD 0.5% to <5%				
Central governments	–	–	–	–	–	–	–
Institutions	29	134	0	1.10	1	98.06	131
Corporates	847	2,383	336	1.58	38	98.88	2,356
Equity investments	–	–	–	–	–	–	–
Total	**876**	**2,517**	**336**		**39**		**2,487**
			PD class 3: PD 5% to <100%				
Central governments	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–
Corporates	62	1,754	26	15.74	276	227.62	3,992
Equity investments	–	–	–	–	–	–	–
Total	**62**	**1,754**	**26**		**276**		**3,992**
			PD class 4: Default – PD 100%				
Central governments	–	–	–	–	–	–	–
Institutions	0	6	0	100.00	6	0.00	0
Corporates	45	4,077	13	100.00	4,077	0.00	0
Equity investments	–	–	–	–	–	–	–
Total	**45**	**4,083**	**13**		**4,083**	**0.00**	**0**
			PD class 5: Total (excluding Default)				
Central governments	0	135	0	–	0	–	3
Institutions	886	1,755	0	–	4	–	638
Corporates	2,949	9,459	1,184	–	322	–	8,284
Equity investments	–	–	–	–	–	–	–
Total	**3,835**	**11,349**	**1,184**		**326**		**8,922**

7. Structure of the credit portfolio (article 442 CRR)

Tables 7 and 8 show the total amount of exposures by credit risk instrument. They are broken down by industries, regions and residual terms to maturity.

Table 7 Gross credit volume in standard approach

(in € million)	Total gross credit volume	Average amount of total gross credit volume in reporting period
Central governments or central banks	453	130
Regional or local authorities	4,672	4,848
Public-sector entities	695	711
Multilateral development banks	40	40
International organisations	–	–
Institutions	3,971	3,851
Corporates	271	303
Corporates – SME	2	3
Retail business	223	230
Retail SME	–	–
Exposures secured by property	397	405
SME exposures secured by property	1	1
Defaulted exposures	5	6
Particularly high-risk exposures	0	0
Covered bonds	–	–
Exposures to institutes and companies with short-term credit score	–	–
Collective investment undertakings (CIU)	–	–
Other risk exposures	–	–

Table 8 Gross credit volume in IRBA

(in € million)	Total gross credit volume	Average amount of total gross credit volume in reporting period
Central governments or central banks	135	130
Institutions	2,692	2,733
Corporates – SME	1,029	960
Corporates – SME SF	432	368
Corporates – special funding	9,230	9,684
Corporates – other	6,607	6,915
Retail – of which secured by land charges, SME	–	–
Retail – of which secured by land charges, SME SF	–	–
Retail business – of which secured by land charges, not SME	–	–
Retail business – of which qualified, revolving	–	–
Retail – of which other SME	–	–
Retail – of which other SME SF	–	–
Retail business – of which other, not SME	–	–
Other credit-independent assets	259	307

Table 9 Gross credit volume by industry in standard approach

(in € million)	Manu-facturing industry	Energy, water supplies, mining	Con-struction	Retail, maint-enance, repairs	Agri-culture, forestry and fisheries	Trans-port and comm-unic-ation	Finan-cial instit-utions and insur-ance	Services, other	Total
Central governments or central banks	–	–	–	–	–	–	0	452	**452**
Regional or local authorities	–	–	–	–	–	–	–	4,672	**4,672**
Public-sector entities	–	27	1	–	–	26	147	493	**694**
Multilateral development banks	–	–	–	–	–	–	40	–	**40**
International organisations	–	–	–	–	–	–	–	–	**–**
Institutions	–	–	–	–	–	–	3,971	–	**3,971**
Corporates	4	13	22	2	3	12	138	77	**271**
Corporates – SME	0	0	0	1	0	0	0	1	**2**
Retail business	1	0	1	2	7	1	1	209	**222**
Retail SME	–	–	–	–	–	–	–	–	**–**
Exposures secured by property	3	0	2	4	3	2	2	381	**397**
SME exposures secured by property	0	0	–	0	0	–	0	0	**0**
Defaulted exposures	0	–	–	0	0	1	0	4	**5**
Particularly high-risk exposures	–	–	–	0	–	–	–	0	**0**
Covered bonds	–	–	–	–	–	–	–	–	**–**
Exposures to institutes and companies with short-term credit score	–	–	–	–	–	–	–	–	**–**
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	**–**
Other risk exposures	–	–	–	–	–	–	–	–	**–**

Table 10 Gross credit volume by industry in IRBA

(in € million)	Manu-facturing industry	Energy, water supplies, mining	Con-struction	Retail, maint-enance, repairs	Agri-culture and fishery	Trans-port and comm-unic-ation	Finan-cial instit-utions and insur-ance	Services, other	Total
Central governments or central banks	–	–	–	–	–	–	33	102	**135**
Institutions	–	16	–	–	–	–	2,676	0	**2,692**
Corporates – SME	153	100	53	178	37	174	178	156	**1,029**
Corporates – SME SF	91	56	45	97	11	40	26	66	**432**
Corporates – special funding	–	2,904	240	3	4	5,603	35	441	**9,230**
Corporates – other	757	367	400	1,341	138	871	784	1,949	**6,607**
Retail – of which secured by land charges, SME	–	–	–	–	–	–	–	–	**–**
Retail – of which secured by land charges, SME SF	–	–	–	–	–	–	–	–	**–**
Retail business – of which secured by land charges, not SME	–	–	–	–	–	–	–	–	**–**
Retail business – of which qualified, revolving	–	–	–	–	–	–	–	–	**–**
Retail – of which other SME	–	–	–	–	–	–	–	–	**–**
Retail – of which other SME SF	–	–	–	–	–	–	–	–	**–**
Retail business – of which other, not SME	–	–	–	–	–	–	–	–	**–**
Other credit-independent assets	–	–	–	–	–	0	0	259	**259**

Table 11 Gross credit volume by region in standard approach

(in € million)	Germany	Other euro area	Other Europe	North America	Central and South America	Middle East/ Africa	Asia/ Aust-ralia	Other	Total
Central governments or central banks	453	–	–	–	–	–	–	–	**453**
Regional or local authorities	4,672	–	–	–	–	–	–	–	**4,672**
Public-sector entities	695	–	–	–	–	–	–	–	**695**
Multilateral development banks	–	–	–	–	–	–	–	40	**40**
International organisations	–	–	–	–	–	–	–	–	**–**
Institutions	3,968	0	1	0	–	1	1	–	**3,971**
Corporates	271	0	1	0	0	0	0	–	**271**
Corporates – SME	2	0	–	–	–	–	–	–	**2**
Retail business	221	0	1	0	0	0	0	–	**222**
Retail SME	–	–	–	–	–	–	–	–	**–**
Exposures secured by property	395	0	2	–	–	0	0	–	**397**
SME exposures secured by property	1	0	–	–	–	–	–	–	**1**
Defaulted exposures	5	0	0	–	–	0	–	–	**5**
Particularly high-risk exposures	0	–	–	–	–	–	–	–	**0**
Covered bonds	–	–	–	–	–	–	–	–	**–**
Exposures to institutes and companies with short-term credit score	–	–	–	–	–	–	–	–	**–**
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	**–**
Other risk exposures	–	–	–	–	–	–	–	–	**–**

Table 12 Gross credit volume by region in IRBA

(in € million)	Germany	Other euro area	Other Europe	North America	Central and South America	Middle East/ Africa	Asia/ Aust-ralia	Other	Total
Central governments or central banks	33	102	–	–	–	–	–	–	**135**
Institutions	2,218	136	256	74	–	–	7	–	**2,691**
Corporates – SME	1,028	0	0	–	1	0	0	–	**1,029**
Corporates – SME SF	431	0	0	–	1	0	0	–	**432**
Corporates – special funding	6,775	1,687	42	10	82	54	580	–	**9,230**
Corporates – other	6,026	385	146	6	–	2	42	–	**6,607**
Retail – of which secured by land charges, SME	–	–	–	–	–	–	–	–	**–**
Retail – of which secured by land charges, SME SF	–	–	–	–	–	–	–	–	**–**
Retail business – of which secured by land charges, not SME	–	–	–	–	–	–	–	–	**–**
Retail business – of which qualified, revolving	–	–	–	–	–	–	–	–	**–**
Retail – of which other SME	–	–	–	–	–	–	–	–	**–**
Retail – of which other SME SF	–	–	–	–	–	–	–	–	**–**
Retail business – of which other, not SME	–	–	–	–	–	–	–	–	**–**
Other credit-independent assets	259	0	–	–	–	–	–	–	**259**

Table 13 Residual term to maturity in standard approach

(in € million)	less than 1 year	1 to 5 years	more than 5 years to perpetual	Total
Central governments or central banks	–	–	452	**452**
Regional or local authorities	327	1,117	3,228	**4,672**
Public-sector entities	0	48	647	**695**
Multilateral development banks	–	40	–	**40**
International organisations	–	–	–	**–**
Institutions	29	333	3,609	**3,971**
Corporates	16	75	157	**248**
Corporates – SME	0	0	2	**2**
Retail business	4	18	201	**223**
Retail SME	–	–	–	**–**
Exposures secured by property	6	36	355	**397**
SME exposures secured by property	–	1	–	**1**
Defaulted exposures	1	0	4	**5**
Particularly high-risk exposures	–	0	0	**0**
Covered bonds	–	–	–	**–**
Exposures to institutes and companies with short-term credit score	–	–	–	**–**
Collective investment undertakings (CIU)	–	–	–	**–**
Other risk exposures	–	–	–	**–**

Table 14 Residual term to maturity in IRBA

(in € million)	less than 1 year	1 to 5 years	more than 5 years to perpetual	Total
Central governments or central banks	–	–	135	**135**
Institutions	295	592	1,805	**2,692**
Corporates – SME	121	110	798	**1,029**
Corporates – SME SF	18	33	381	**432**
Corporates – special funding	1,036	1,624	6,570	**9,230**
Corporates – other	774	979	4,854	**6,607**
Retail – of which secured by land charges, SME	–	–	–	**–**
Retail – of which secured by land charges, SME SF	–	–	–	**–**
Retail business – of which secured by land charges, not SME	–	–	–	**–**
Retail business – of which qualified, revolving	–	–	–	**–**
Retail – of which other SME	–	–	–	**–**
Retail – of which other SME SF	–	–	–	**–**
Retail business – of which other, not SME	–	–	–	**–**
Other credit-independent assets	–	–	260	**260**

8. Loss reserves (articles 442 CRR and article 439 CRR)

At regular intervals, i.e. in the course of regular credit monitoring, exposures are reviewed to determine whether Bremer Landesbank's claims are unimpaired or whether some or all interest payments and/or principal repayments seem to be at risk. In addition, specific reviews are carried out if negative information about the borrower becomes known (early warning indicators), e.g. economic situation, collateral or sector environment and if a reason for default is identified (and so if a default rating is drawn up). Objective indications that may lead to a write-down include default or delay in interest or principal repayments of more than 90 days or significant financial difficulties on the part of the borrower.

Bremer Landesbank recognises specific write-downs for acute default risks in its on-balance sheet credit business if there are objective indications of impairment. Write-downs are based on a present value assessment of recoverable interest and principal and proceeds from the disposal of collateral.

Bremer Landesbank recognises the latent counterparty risk towards non–banks of on-balance sheet business that has not been specifically written down by means of general write-downs. Loss provisions for off-balance sheet business (guarantees, endorser's liabilities, credit commitments) are recognised by means of credit risk provisions.

Unrecoverable exposures of up to €10,000 which have not been adjusted are written off directly. Payments received on written-off exposures are recognised through profit or loss.

Tables 15 to 17 show non-performing and defaulted exposures, without equity instruments and securitised assets, each by industry and region, as well as changes in loss reserves over the reporting period.

The three default rating classes 16 to 18, including the default criteria defined in article 178 CRR, are used to distinguish past due and impaired exposures. The rating grade 16 comprises the reasons for default, "payment delayed/overdrawn more than 90 days" and "repayment unlikely". The rating grade 17 comprises the reasons for default, "restructuring/debt rescheduling/turnaround" and "impairment/write-down". The rating grade 18 covers the reasons for default, "credit-related termination/call-in" only for DSGV process), "write-off/derecognition", "sale of receivable with significant credit–related loss" and "insolvency (filing)/enforcement measures".

For rated standard and IRB approach exposures, all non-performing exposures correspond to the rating grades 17 and 18. All other exposures in default are included in rating grade 16. Unrated standard-approach exposures in the past due class are assigned using the specific features for the relevant category. Tables show the exposure values.

Table 15 Non-performing and defaulted exposures by sector

(in € million)	Total amount of written-down expo-sures	Specific write-downs	General write-downs	Provi-sions	Net addition/ reversal of write-downs/ provisions	Direct write-off	Payments received on written-off exposures	Total amount past-due exposures (not written-down)
Manufacturing industry	28	24	–	1	–3	1	–	12
Energy, water supplies, mining	65	38	–	3	19	–	–	121
Construction	20	13	–	1	–	1	1	0
Retail, maintenance, repairs	7	7	–	0	2	–	–	6
Agriculture, forestry and fisheries	14	10	–	0	8	–	–	6
Transport and communications	3,037	1,855	–	2	1,338	193	1	272
Financial institutions and insurance	9	6	–	–	–3	–	–	51
Services/Other	39	26	–	1	4	–	1	150
Total	**3,219**	**1,979**	**88**	**8**	**1,365**	**195**	**3**	**618**

Table 16 Non-performing and defaulted exposures by region

(in € million)	Total amount of written-down expo-sures	Specific write-downs	General write-downs	Provi-sions	Total amount past-due exposures (not written-down)
Germany	2,243	1,636	–	5	421
Other euro area	741	254	–	2	156
Other Europe	13	8	–	0	35
North America	–	–	–	–	–
Central and South America	–	–	–	–	–
Middle East/Africa	45	10	–	–	0
Asia/Australia	177	71	–	–	6
Other	–	–	–	1	–
Total	**3,219**	**1,979**	**88**	**8**	**618**

Table 17 Change in loss reserves

(in € million)	Amount at start of period	Change in period	Reversal	Use	Exchange-rate related and other changes	Amount at end of period
Specific write-downs	917	1,511	145	336	–33	1,979
Provisions	8	2	2	–	–	8
General write-downs	41	47	–	–	–	88

9. Use of credit risk mitigation techniques (article 453 CRR)

9.1 Collateral to reduce capital requirements (Art. 453 CRR)

Bremer Landesbank has been authorised by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) to use land charges, other IRBA collateral, guarantees and financial collateral in the form of cash deposits on accounts held at Bremer Landesbank, as credit risk mitigation techniques to reduce capital requirements. Its internal processes and systems ensure that all the collateral offset meets all the requirements of the CRR for credit risk mitigation techniques.

Collateral is accepted by the credit risk management employee responsible for the particular exposure. After evaluating all the relevant data the collateral is recorded in the collateral management system (CMS). The bank's central collateral management function then verifies and approves collateral that can be offset against risk in accordance with CRR (known as Basel II collateral).

The bank stores all the documents necessary to prove legal title and enforce Basel II collateral at an external service provider. Original collateral documentation is also delivered by the central collateral management function when the Basel II collateral is approved.

The land charges used as collateral consist of commercial and residential property. They are generally valued by an independent internal expert, if necessary also by external appraisers appointed by the valuation department. The market fluctuation strategy (MSK) developed by the German banking industry (DK) is also used for support with ongoing monitoring. It is acknowledged as a statistical method in accordance with article 208 para. 3 CRR. Values of properties covered by the MSK are reviewed every three years by the internal experts if the loan value of the property and the loans secured by them exceed certain thresholds.

Ships and wind turbines are included in the category of other IRBA collateral for offsetting against capital requirements.

Ships must be entered in a public register and meet certain criteria, e.g. in terms of marketability and age. Ships are also subject to the requirement that they are built under the supervision of an acknowledged classification society and have a class certificate from a classification society recognised by the banking industry. First-time valuation and subsequent valuation of ships is carried out by an independent internal bank expert on the basis of external opinions and must be carried out at least once a year for recognition by the supervisory authority.

The location of a wind turbine is vital for its valuation. Wind forecasts are drawn up by external experts before a turbine is built and checked at least once a year against the actual wind yield from operations. The value of a turbine is calculated by its yield, in conjunction with the statutory grid feed-in tariff. If the yield varies significantly from the forecasts the value of the wind turbine is determined again and its loan value recalculated. The operator's main rights to the site and under the feed-in agreements are usually assigned, in order to have the ability to operate the wind turbine independently if necessary.

The guarantees included in the credit risk mitigation techniques are mostly bank guarantees and other guarantees. Their value is determined by the creditworthiness of the guarantor. The same rating rules apply here as for all other borrowers. The main types of guarantor are public-sector entities and banks with very good credit ratings.

Concentrations of risk from the acceptance of guarantees are monitored in connection with direct exposure to the guarantor. Guarantors with an indirect liability of €1 million and above are shown quarterly in the Bremer Landesbank report “Concentration Risks from Guarantees”. There is currently no risk concentration of this kind.

The financial collateral consists of customers’ cash deposits held on Bremer Landesbank accounts.

Tables 18 and 19 provide an overview of secured standard and IRB approach exposures for each class in accordance with article 453 CRR. The exposures shown are secured by eligible financial securities, guarantees and other IRBA collateral as defined in article 192 et seq. CRR.

Standard-approach exposures secured by land charges are shown in the exposure class, “Exposures secured by mortgages on immovable property”.

Table 18 Total amount of secured standard-approach exposures (without securitisation)

Exposure class (in € million)	Financial collateral	Land charges	Guarantees and credit derivatives
Central governments	–	–	–
Regional governments	–	–	–
Other public-sector entities	–	–	127
Multilateral development banks	–	–	–
International organisations	–	–	–
Institutions	–	–	–
Covered bonds issued by banks	–	–	–
Corporates	1	–	73
Retail business	1	–	0
Exposures secured by property	–	374	–
Investment interests	–	–	–
Equity investments	–	–	–
Other exposures	–	–	–
Defaulted exposures	–	2	–
Exposures to institutes and companies with short-term credit score	–	–	–
Particularly high-risk exposures	–	–	–
Total	**2**	**376**	**201**

Table 19 Total amount of secured IRB-approach exposures (without securitisation)

Exposure class (in € million)	Financial collateral	Other/physical collateral	Guarantees and credit derivatives
Central governments	–	–	–
Institutions	154	–	47
Other credit-independent assets	–	–	–
Retail business	–	–	–
Equity investments	–	–	–
Corporates	37	1,895	931
Total	**191**	**1,895**	**979**

9.2 Netting agreements (Art. 453 CRR)

Bremer Landesbank uses netting agreements for derivatives to reduce its credit risk from trading activities.

As a rule, these netting agreements are bilateral netting agreements. Only standard framework agreements are used (ISDA Master Agreement and German Framework Agreement for Financial Futures Transactions (DRV)). Its legal department enters into new ISDA Master Agreements and DRV with foreign counterparties on behalf of Bremer Landesbank. DRV with German counterparties are signed by the settlement area responsible on the basis of rules drawn up by the legal department. Legal opinions are obtained regularly to ensure that the netting agreements in the different jurisdictions are legally enforceable.

Contract data and the configurations of the legal opinions can be stored in the specialised standard application LeDIS. This data management software enables individual derivative transactions to be verified automatically by users of this information, e.g. reporting teams.

Netting agreements for cash exposures and cross–product netting agreements are not used.

10. Leverage ratio (article 451 CRR)

The disclosure obligation for the leverage ratio calculated in accordance with article 429 CRR came into effect as of 01 January 2015. Bremer Landesbank calculates its leverage ratio as of the end of the quarter, since 30 September 2016 in accordance with the Delegated Act. The following disclosures on the leverage ratio for the reporting date were calculated and presented in accordance with the Delegated Act.

Table 20 Summary comparison between balance sheet assets and total exposure measure

Applicable amounts (in € million)		31.12.2015	31/12/2016
1	Total assets recognised in financial statements	29,065	28,050
2	Adjustment for equity investments consolidated for accounting purposes but not part of the prudential consolidation group	–	–
3	(Adjustment for trust assets recognised in the balance sheet in accordance with applicable accounting standards but exempt from the total exposure measure as defined in article 429 para. 13 of Regulation (EU) No. 575/2013.	–15	–15
4	Adjustments for derivative financial instruments	–	749
5	Adjustments for securities financing transactions (SFT)	–	101
6	Adjustment for off-balance sheet transactions (i.e. conversion of off-balance sheet transactions into credit equivalent amounts)	2,723	1,800
EU–6a	(Adjustment for intra-group exposures exempt from the total exposure measure as defined in article 429 para. 7 of Regulation (EU) No. 575/2013)	–	–
EU–6b	(Adjustment for exposures exempt from the total exposure measure as defined in article 429 para. 14 of Regulation (EU) No. 575/2013)	–	–
7	Other adjustments	150	161
8	**Total exposure measure used in leverage ratio**	**31,923**	**30,846**

Table 21 Leverage ratio

Exposure values used for CRR leverage ratio (in € million)		31.12.2015	31/12/2016
Balance sheet exposure (except derivatives and securities financing transactions (SFT))			
1	Balance sheet exposure (without derivatives, securities financing transactions (SFT) and trust assets, but including collateral)	28,995	28,257
2	(Assets deducted to calculate Tier 1 capital)	–595	–60
3	**Total balance sheet exposure (without derivatives, securities financing transactions (SFT) and trust assets) (sum of lines 1 and 2)**	**28,400**	**28,197**
Derivative exposures			
4	Exposures for all derivative transactions (i.e. adjusted for all eligible margins received cash)	349	414
5	Premiums for potential future exposure in relation to all derivative transactions (mark-to-market method)	299	294
EU–5a	Exposure according to original risk method	–	–
6	Additional collateral provided for derivative transactions, if these are deducted from balance sheet assets in accordance with applicable accounting standards	–	–
7	(Deduction of margins received in cash in derivative transactions)	–	–
8	(Excluded exposures for transactions settled for clients via a qualifying central counterparty (QCCP))	–2	–1
9	Adjusted effective nominal value of written credit derivatives	255	115
10	(Adjusted netting of effective nominal value and add-on deductions for issued credit derivatives)	–101	–73
11	**Total derivative exposures (sum of lines 4 to 10)**	**800**	**749**

Exposures from securities financing transactions (SFT)			
12	Gross assets from securities financing transactions (SFT; without netting), after adjustment for transactions reported as disposals	–	101
13	(Net amounts of cash liabilities and receivables from gross assets from securities financing transactions (SFT))	–	–
14	Counterparty credit risk add-on from securities financing transactions (SFT)	–	–
EU–14a	Exception for securities financing transactions (SFT): Counterparty credit risk add-on according to article 429b para. 4 and article 222 of Regulation (EU) Nr. 575/2013	–	–
15	Exposures from activities as an agent	–	–
EU–15a	(Excluded exposures for securities financing transactions (SFT) settled for clients via a qualifying central counterparty (QCCP))	–	–
16	**Total exposures from securities financing transactions (sum of lines 12 to 15a)**	**–**	**101**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross nominal value	5,562	5,697
18	(Adjustment for conversion to credit equivalent amounts)	–2,839	–3,897
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**2,723**	**1,800**
Excluded exposures in accordance with article 429 paragraphs 7 and 14 CRR (on- and off-balance sheet)			
EU–19a	(Excluded intra-group exposures (individual basis) (on- and off-balance sheet) in accordance with article 429 para. 7 of Regulation (EU) No. 575/2013	–	–
EU–19b	(Excluded exposures (on- and off-balance sheet) in accordance with article 429 para. 14 of Regulation (EU) No. 575/2013	–	–
Equity and total exposures			
20	Tier 1 capital	1,487	601
21	**Total exposure measure used for the leverage ratio (sum of lines 3, 11, 16, 19, EU–19a and EU–19b)**	**31,923**	**30,846**
Leverage ratio			
22	**Leverage ratio**	**4.66%**	**1.95%**
Application of transitional arrangements and value of derecognised trust exposures			
EU–23	Application of transitional arrangements for the definition of the capital measure	Transitional arrangement	Transitional arrangement
EU–24	Value of derecognised trust assets in accordance with article 429 para. 13 of Regulation (EU) No. 575/2013	15	15

Table 22 Break-down of balance sheet exposures (without derivatives, securities financing transactions (SFT) and excluding exposures)

Exposure values used for CRR leverage ratio (in € million)		**31.12.2015**	**31/12/2016**
EU–1	Total balance sheet exposures (without derivatives, securities financing transactions (SFT) and excluding exposures), of which:	28,995	28,257
EU–2	Exposures in trading book	86	90
EU–3	Exposures in banking book, of which:	28,909	28,167
EU–4	Covered bonds	72	418
EU–5	Exposures treated as exposures to central governments	5,871	5,827
EU–6	Exposures to regional authorities, multilateral development banks, international organisations and public-sector entities that are NOT treated as exposures to central governments	183	146
EU–7	Institutions	4,866	4,814
EU–8	Secured by land charges on immovable property	1,806	1,530
EU–9	Exposures from retail business	160	124
EU–10	Corporates	11,078	7,512
EU–11	Defaulted exposures	2,628	2,379
EU–12	Other exposure classes (e.g. equity exposures, securitised exposures and other assets that are not credit obligations)	2,246	5,417

Table 23 Disclosure of qualitative information

(in € million)		
1	Description of the procedure for monitoring the risk of excessive leverage	Internal and regulatory capital requirements are determined as part of the capital planning process, partly on the basis of risk bearing capacity. The leverage ratio is calculated and managed quarterly and included in reports to the Management Board.
2	Description of factors that had an effect on the leverage ratio disclosed during the reporting period	The leverage ratio, calculated as defined in article 429 CRR, was 1.95 per cent as of 31 December 2016 (31/12/2015: 4.66per cent) based on Core 1 capital (capital measure) of €601 million (31/12/2015: €1,487 million) and total exposure measure (sum of exposures for all assets and off-balance sheet items before risk adjustments) of €30,846 million (31/12/2015: €31,923 million). Intangible assets are deducted from Common Equity Tier 1 in accordance with article 36. Significant changes in the leverage ratio were reported due to higher write-downs and the resulting loss. The leverage ratio of Bremer Landesbank in financial year 2016 is below the non-binding target value of 3 per cent mentioned by the Basel Committee on Banking Supervision in its paper “Basel III leverage ratio framework and disclosure requirements”.

Legal notice

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Bremer Landesbank
Kreditanstalt Oldenburg – Girozentrale –

Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –

Bremen: Domshof 26, 28195 Bremen
Telephone 0049 421 332-0, Fax 0049 421 332-2322
Oldenburg: Markt, 26122 Oldenburg
Telephone 0049 441 237-01, Telefax 0049 441 237-1333

www.bremerlandesbank.de
kontakt@bremerlandesbank.de

NORD/LB
Covered Bond Bank
Luxembourg

Disclosure Report in accordance with the EU Capital Requirements Regulation (CRR)

as at 31 December 2016

Finanzgruppe

The rounding of figures may result in minor differences in the totals and percentages calculated in this report.

1 Preamble

Requirements relating to the regular disclosure of qualitative and quantitative information to enhance market discipline are defined in Pillar 3 of Basel II. The aim is to create transparency with regard to the risks entered into by banks. Pillar 3 thus supplements the minimum capital requirements of Pillar I and the supervisory review process of Pillar 2. The basis for disclosure has been provided since the 1 January 2014 by EU Regulation No. 575/2013, the Capital Requirements Regulation (CRR).

As a result, Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg (hereafter “NORD/LB CBB”), as a significant subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (hereafter “NORD/LB”) has a duty of disclosure in accordance with art. 13 (1) of the CRR.

The purpose of NORD/LB CBB is the conducting all business that a Pfandbrief bank is allowed to conduct under the law of the Grand Duchy of Luxembourg. There are also the Financial Markets & Sales, Loans and Client Services & B2B segments.

NORD/LB CBB holds 100 per cent of the shares in Galimondo S.à r.l., Luxembourg. Galimondo S.à r.l. was established on 5 September 2014 as a “Gesellschaft mit begrenzter Haftung” (company with limited liability) under Luxembourg law. The purpose of the company is the performance and coordination of services required to establish and maintain the functional capability of buildings and facilities including their infrastructure (facility management).

Galimondo S.à r.l. is not a significant subsidiary and was therefore not included in the Bank’s financial statements prepared under commercial law as at 31 December 2016.

In this report as at 31 December 2016, the Bank discloses the qualitative and quantitative information required in accordance with art. 13 (1) of the CRR. This report does not include disclosures concerning the remuneration policy in accordance with art. 450 of the CRR; these disclosures are made in a separate Remuneration Report.

The Disclosure Report is an additional document supplementing the Annual Report of NORD/LB CBB. This is prepared on the basis of International Financial Reporting Standards (IFRS).

Information about equity, capital requirements, the leverage ratio and credit risks is disclosed in accordance with art. 13 (1) of the CRR.

Quantitative disclosures contained in this report are based on IFRSs, which constituted the basis for preparing regulatory reports in accordance with the CRR in NORD/LB CBB.

For further information about risk, and in particular about the organisation of risk management including the risk control models used, we refer to the Risk Report in the Annual Report of NORD/LB CBB. Here a detailed account is given on risk developments for each significant type of risk in the period under review and an outlook for developments anticipated in future.

The Disclosure Report is published in accordance with art. 434 of the CRR both on the website of NORD/LB at
https://www.nordlb.com/nordlb/investor-relations/reports/ and the website of NORD/LB CBB at
www.nordlbcbb.lu/online/www/menu_top/invrel/reports/DEU/index.html.

2 Capital Structure and Adequacy

2.1 Capital Structure

The capital components of NORD/LB CBB calculated in accordance with the regulations of the CRR and the national regulatory authority comprise Tier 1 and Tier 2 capital as well as certain deductions.

As at 31 December 2016, the Common Equity Tier 1 before regulatory adjustments of the Bank totals € 651 million and comprises the paid-in capital and retained earnings.

The paid-in capital totalling € 205 million comprises the share capital. The shareholder is NORD/LB.

As at 31 December 2016, retained earnings total € 446 million. In the year under review retained earnings were reduced by € 11 million due mainly to the transfer of retained earnings at the time of the merger.

The deductions in Common Equity Tier 1 items total € 25 million as at 31 December 2016. A large share of this is accounted for by deductions of € 20 million from intangible assets. A further € 4 million is accounted for by valuation adjustments due to the requirement of a prudent valuation. There is also a shortfall of € 1 million.

NORD/LB CBB does not have any Additional Tier 1 (AT1) instruments. Accordingly, the Bank's Tier 1 capital only comprises Common Equity Tier 1. As at 31 December 2016, this totals € 625 million after the aforementioned regulatory adjustments.

NORD/LB CBB's Tier 2 capital (T2) before regulatory adjustments totalled € 24 million as at 31 December 2016. It comprised the following components:

- One subordinated liabilitiy in foreign currency (nominal volume of $ 65 million), $ 60 million of which is due in December 2017. Due to the residual-term-related deductions, eligible Tier 2 capital totalled € 12 million as at 31 December 2016. The amount of interest for all subordinated liabilities is calculated based on the capital market yield on the date of issue plus a standard market risk premium. The requirements for inclusion in Tier 2 capital in accordance with art. 62 et seq. of the CRR have been met.

- Positive amounts (totalling € 12 million) in accordance with art. 62 (d) of the CRR.

Table 2 shows the components of capital in the regulatory capital structure in accordance with art. 25–91 of the CRR.

As at 31 December 2016 the Bank's Common Equity Tier 1 capital ratio was at 14.85 per cent well above the regulatory requirement of 7.0 per cent (incl. capital conservation buffer of 2.5 per cent). The regulatory capital ratio is also comfortable at 15.42 per cent.

2.2 Method used for Balance-Sheet Reconciliation

Below a reconciliation of the equity items – including adjustment items and deductions – with the audited balance sheet is performed in accordance with art. 437 para 1 letter a) of the CRR.

There is no difference in the basis of consolidation for NORD/LB CBB under commercial and regulatory law.

Table 1: Reconciliation statement: Balance Sheet

Assets	IFRS (in € million)	Reference
Cash reserve	57	
Loans and advances to institutions	1 241	
Loans and advances to customers	8 242	
Risk provisioning	– 23	
Financial assets at fair value through profit or loss	973	
Profit/loss from hedge accounting	328	
Financial assets	5 031	
Property and equipment	66	
Intangible assets	20	3
Financial assets available for sale	–	
Current tax assets	0	
Deferred tax assets	1	
Other assets	2	
Total assets	**15 936**	

Liabilities	IFRS (in € million)	Reference
Liabilities to institutions	6 612	
Liabilities to customers	3 413	
Securitised liabilities	3 222	
Financial liabilities at fair value through profit or loss	1 149	
Profit/loss from hedge accounting	707	
Provisions	22	
Current income tax liabilities	10	
Deferred income tax liabilities	14	
Other liabilities	15	
Subordinated capital	62	2
Equity	711	
Subscribed capital	205	1a
Capital reserves	–	1b
Retained earnings	482	1c
Revaluation reserve	25	
Currency translation reserve	–	
Total equity	711	
Equity attributable to the shareholders	711	
Non-controlling interests	–	
Total liabilities	**15 936**	

Table 2: Reconciliation statement for regulatory capital

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
Common Equity Tier 1: Instruments and reserves					
1	Capital instruments and the associated premium	205	Art. 26 (1), 27, 28, 29 CRR in conjunction with EBA breakdown in accordance with Art. 26 (3) CRR	–	
1	of which: subscribed capital	205	EBA breakdown in accordance with Art. 26 (3) CRR	–	1a
1	of which: capital reserves	–	EBA breakdown in accordance with Art. 26 (3) CRR	–	1b
2	Retained earnings	446	Art. 26 (1) (c) CRR	–	1c
3	Accumulated other comprehensive income (and other reserves, to take account of non-realised profits and losses in accordance with the applicable accounting standards)	–	Art. 26 (1) CRR	–	
3a	Fund for general banking risks	–	Art. 26(1)(f)	–	
4	Amount of the items as defined by Art. 484 para. 3 CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire	–	Art. 486 (2) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (2) CRR	–	
5	Minority interest	–	Art. 84, 479, 480 CRR	–	
5a	Interim profit independently audited, less all foreseeable levies or dividends	–	Art. 26 (2) CRR	–	
6	Common Equity Tier 1 before regulatory adjustments	651		–	
Common Equity Tier 1: regulatory adjustments					
7	Additional valuation adjustments (negative amount)	– 4	Art. 34, 105 CRR	–	
8	Intangible assets (less corresponding tax liabilities) (negative amount)	– 20	Art. 36 (1) (b), 37, 472 (4) CRR	–	3
10	Deferred tax assets dependent on future profitability, less claims resulting from temporary differences (less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied) (negative amount)	–	Art. 36 (1) (c), 38, 472 (5) CRR	–	
11	Reserves from profits or losses from transactions for hedging payment flows accounted for at fair value	–	Art. 33 (a) CRR	–	
12	Negative amounts from the calculation of anticipated losses	– 1	Art. 36 (1) (d), 40, 159, 472 (6) CRR	–	
13	Increase in capital resulting from securitised assets (negative amount)	–	Art. 32 (1) CRR	–	
14 (1)	Profits dependent on changes to the bank's credit rating or losses from the bank's liabilities at fair value through profit or loss	–	Art. 33 (b) CRR	–	

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
14 (2)	Profits and losses from derivative liabilities at fair value resulting from the bank's own credit risk	–	Art. 33 (c) CRR	–	
15	Assets from pension funds with defined benefit (negative amount)	–	Art. 36 (1) (e), 41, 472 (7) CRR	–	
16	Direct and indirect positions of a bank in its own instruments of Common Equity Tier 1 (negative amount)	–	Art. 36 (1) (f), 42, 472 (8) CRR	–	
17	Direct, indirect and synthetic positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the bank's capital (negative amount)	–	Art. 36 (1) (g), 44, 472 (9) CRR	–	
18	Direct, indirect and synthetic positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) CRR	–	
19	Direct, indirect and synthetic positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the bank holds a significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 to 3), 79, 470, 472 (11) CRR	–	
20a	Exposure from the following items allocated a risk weighting of 1,250 per cent if the bank alternatively deducts this exposure from the amount of the items of the Common Equity Tier 1	–	Art. 36 (1) (k) CRR	–	
20b	of which: qualified investments outside the financial sector (negative amount)	–	Art. 36 (1) (k) (i), 89, 90, 91 CRR	–	
20c	of which: securitisation exposures (negative amount)	–	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 CRR	–	
20d	of which: Advance payments (negative amount)	–	Art. 36 (1) (k) (iii), 379 (3) CRR	–	
21	Deferred tax assets dependent on future profitability resulting from temporary differences (above the threshold of 10 per cent, less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied) (negative amount)	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	
22	Amount above the 15 per cent threshold (negative amount)	–	Art. 48 (1) CRR	–	
23	of which: direct and indirect positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the bank holds a significant investment	–	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) CRR	–	

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
25	of which: deferred tax assets dependent on future profitability resulting from temporary differences	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	
25a	Losses from the current financial year (negative amount)	–	Art. 36 (1) (a), 472 (3) CRR	–	
25b	Foreseeable tax burden on items of Common Equity Tier 1 (negative amount)	–	Art. 36 (1) (l) CRR	–	
26	Regulatory adjustments of Common Equity Tier 1 relating to amounts subject to the pre-CRR treatment	–		–	
26a	Regulatory adjustments in connection with non-realised profits and losses in accordance with Art. 467 and 468 CRR	–	Art. 467, 468 CRR	–	
	of which: non-realised profits	–		–	
	of which: non-realised losses from government bonds	–		–	
26b	Amount to be deducted from or added to the Common Equity Tier 1 relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	–	Art. 481 CRR	–	
	of which: Other deductions from	–	Art. 481 CRR	–	
27	Amount of the items deductible from the items of Additional Tier 1 capital that exceed the bank's Additional Tier 1 capital (negative amount)	–	Art. 36 (1) (j) CRR	–	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	– 25		–	
29	Common Equity Tier 1	625		–	
Additional Tier 1 capital (AT1): Instruments					
30	Capital instruments and the associated premium	–	Art. 51, 52 CRR	–	
31	of which: classed as capital in accordance with applicable accounting standards	–		–	
32	of which: classed as liabilities in accordance with applicable accounting standards	–		–	
33	Amount of the items as defined by Art. 484 para. 4 CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire	–	Art. 486 (3) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (3) CRR	–	
34	Instruments of the qualified Tier 1 capital included in the consolidated Additional Tier 1 capital (including majority shareholdings not included in Common Equity Tier 1) issued by subsidiaries and held by third parties	–	Art. 85, 86, 480 CRR	–	
35	of which: instruments issued by subsidiaries whose mandatory inclusion will expire	–	Art. 486 (3) CRR	–	
36	Additional Tier 1 capital (AT1) before regulatory adjustments	–		–	

Ref-er-ence	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Ref-er-ence
	Additional Tier 1 capital (AT1): regulatory adjustments				
37	Direct and indirect positions of a bank in its own instruments of Additional Tier 1 capital (negative amount)	–	Art. 52 (1) (b), 56 (a), 57, 475 (2) CRR	–	
38	Direct, indirect and synthetic positions of the bank in instruments of Additional Tier 1 of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the bank's capital (negative amount)	–	Art. 56 (b), 58, 475 (3) CRR	–	
39	Direct and indirect positions of the bank in Additional Tier 1 instruments of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art.56 (c), 59, 60, 79, 475 (4) CRR	–	
40	Direct, indirect and synthetic positions of the bank in Additional Tier 1 instruments of companies in the financial sector in which the bank holds a significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 56 (d), 59, 79, 475 (4) CRR	–	
41	Regulatory adjustments of Additional Tier 1 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	–		–	
41a	Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Common Equity Tier 1 during the transitional phase in accordance with Art. 472 of Regulation (EU) No. 575/2013	–	Art. 472, 472 para. 3a, 4, 6, 8 (a), 9, 10a and 11a CRR	–	
	of which: Intangible assets	–		–	
	of which: shortfall between value adjustments and expected loss	–		–	
41b	Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Tier 2 capital during the transitional phase in accordance with Art. 475 of Regulation (EU) No. 575/2013	–	Art. 477, 477 para. 3 and 4a CRR	–	
	of which:	–		–	
41c	Amount to be deducted from or added to the Additional Tier 1 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	–	Art. 467, 468, 481 CRR	–	
	of which: Amount of the items deductible from the items of Additional Tier 1 capital that exceed the bank's Additional Tier 1 capital and accounted for in the Common Equity Tier 1	–		–	

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
42	Amount of the items deductible from the items of Tier 2 capital that exceed the bank's Tier 2 capital (negative amount)	–	Art. 56 (e) CRR	–	
43	Total regulatory adjustments to the Additional Tier 1 capital (AT1)	–		–	
44	Additional Tier 1 capital (AT1)	–		–	
45	Tier 1 capital (T1 = CET1 + AT1)	625		–	
Tier 2 capital (T2): Instruments and reserves					
46	Capital instruments and the associated premium	12	Art. 62, 63 CRR	–	2
47	Amount of the items as defined by Art. 484 para. 5 plus the associated premium whose mandatory inclusion in T2 will expire	–	Art. 486 (4) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (4) CRR	–	
48	Qualifying capital instruments included in the consolidated Tier 2 capital (including as yet unrecorded minority shareholdings and AT1 instruments) issued by subsidiaries and held by third parties	–	Art. 87, 88, 480 CRR	–	
49	of which: instruments issued by subsidiaries whose mandatory inclusion will expire	–	Art. 486 (4) CRR	–	
50	Credit-risk adjustments	12	Art. 62 (c) and (d) CRR	–	
51	Tier 2 capital (T2) before regulatory adjustments	24		–	
Tier 2 capital (T2): regulatory adjustments					
52	Direct and indirect positions of a bank in its own instruments of Tier 2 capital and subordinated loans (negative amount)	–	Art. 63 (b) (i), 66 (a), 67, 477 (2) CRR	–	
53	Direct, indirect and synthetic positions of the bank in Tier 2 capital or subordinated loans of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the bank's capital (negative amount)	–	Art. 66 (b), 68, 477 (3) CRR	–	
54	Direct and indirect positions of the bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 66 (c), 69, 70, 79, 477 (4) CRR	–	
54a	of which: new positions not subject to transitional provisions	–		–	
54b	of which: positions existent prior to 1 January 2013 and subject to transitional provisions	–		–	

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
55	Direct, indirect and synthetic positions of the bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds a significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 66 (d), 69, 79, 477 (4) CRR	–	
56	Regulatory adjustments of Tier 2 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	–		–	
56a	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Common Equity Tier 1 during the transitional phase in accordance with Art. 472 of Regulation (EU) No. 575/2013	–	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) CRR	–	
	of which: shortfall between value adjustments and expected loss	–		–	
56b	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Additional Tier 1 capital during the transitional phase in accordance with Art. 475 of Regulation (EU) No. 575/2013	–	Art. 475, 475 (2) (a), (3), (4) (a) CRR	–	
	of which:	–		–	
56c	Amount to be deducted from or added to the Tier 2 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	–	Art. 467, 468, 481 CRR	–	
	of which: adjustments due to grandfathering provisions	–		–	
57	Total regulatory adjustments to Tier 2 capital (T2)	–		–	
58	Tier 2 capital (T2)	24		–	
59	Total capital (TC = T1 + T2)	649		–	
Risk-weighted assets					
59a	Risk-weighted assets relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	–		–	
	of which: items not deductible from the Common Equity Tier 1 (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) CRR	–	
	of which: items not deductible from the Additional Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 475, 475 (2) (b), (2) (c) and (4) (b) CRR	–	
	of which: items not deductible from the Tier 2 capital (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 477, 477 (2) (b), (2) (c), (4) (b) CRR	–	

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
60	Total risk-weighted assets	4 210		–	
	of which: credit risk	4 022		–	
	of which: credit-risk-related valuation adjustment (CVA)	12		–	
	of which: market-price risk	1		–	
	of which: operational risk	175		–	
Equity ratios and buffers					
61	Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure)	14.85	Art. 92 (2) (a), 465 CRR	–	
62	Tier 1 capital ratio (expressed as a percentage of the total exposure)	14.85	Art. 92 (2) (b), 465 CRR	–	
63	Regulatory capital ratio (expressed as a percentage of the total exposure)	15.42	Art. 92 (2) (c) CRR	–	
64	Bank-specific requirements relating to the capital buffer (minimum requirement regarding Common Equity Tier 1 capital ratio in accordance with Art. 92 para. 1 letter a, plus the requirements regarding the capital-maintenance buffer and counter-cyclical capital buffer, systemic-risk buffer and buffer for systemically important institutions (G-SIIs or O-SIIs), expressed as a percentage of the total exposure)	7.00	Art. 128, 129, 130 CRD IV	–	
65	of which: capital-maintenance buffer	2.50		–	
66	of which: counter-cyclical capital buffer	–		–	
67	of which: systemic-risk buffer	–		–	
67a	of which: buffer for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIS)	–	Art. 131 CRD IV	–	
68	Available Common Equity Tier 1 for the buffers (expressed as percentage of the total exposure)	10.35	Art. 128 CRD IV	–	
Amounts under the deduction thresholds (before risk-weighting)					
72	Direct and indirect positions of the bank in capital instruments of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions)	–	Art. 36 (1) (h), 45, 46, 472 (10) , 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) CRR	–	
73	Direct and indirect positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the bank holds a significant investment (more than 10 per cent and less eligible sales positions)	–	Art. 36 (1) (i), 45, 48, 470, 472 (11) CRR	–	
75	Deferred tax assets dependent on future profitability resulting from temporary differences (below the threshold of 10 per cent, less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied)	–	Art. 36 (1) (c), 38, 48 470, 472 (5) CRR	–	

Reference	Basis as at 31 December 2016	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
	Applicable caps for the inclusion of valuation allowances in the Tier 2 capital				
76	Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the standard approach (before application of the cap)	–	Art. 62 CRR	–	
77	Cap for inclusion of credit-risk adjustments in the Tier 2 capital within the standard approach	11	Art. 62 CRR	–	
78	Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the approach based on internal assessments (before application of the cap)	12	Art. 62 CRR	–	
79	Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	19	Art. 62 CRR	–	
	Equity instruments subject to the transitional provisions (only applicable from 1 January 2013 to 1 January 2022)				
80	Current cap for CET 1 instruments subject to the transitional provisions	–	Art. 484 (3), 486 (2), (5) CRR	–	
81	Amount excluded from CET 1 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (3), 486 (2), (5) CRR	–	
82	Current cap for AT 1 instruments subject to the transitional provisions	–	Art. 484 (4), 486 (3), (5) CRR	–	
83	Amount excluded from AT 1 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (4), 486 (3), (5) CRR	–	
84	Current cap for T2 instruments subject to the transitional provisions	–	Art. 484 (5), 486 (4), (5) CRR	–	
85	Amount excluded from T2 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (5), 486 (4), (5) CRR	–	

Remarks on the reconciliation statement

1a–1b There is no difference in treatment between commercial and regulatory law for the positions subscribed capital and capital reserves.

1c he difference of € 36 million as compared to the balance sheet is explained in that no depreciation may be accounted for prior to attestation under regulatory law.

2 The subordinated liabilities of € 62 million are only set at € 12 million under regulatory law as a subordinated liability is treated in accordance with art. 64 of the CRR.

3 There is no difference in treatment between commercial and regulatory law for the position intangible assets.

2.3 Main Features of the Capital Instruments

The table below shows the features of the capital instruments of NORD/LB CBB. The Bank only has CET1 and T2 instruments.

Table 3: Main features of the capital instruments, figures in € million

Main features of the capital instruments	**1**	**2**
Issuer	NORD/LB CBB	NORD/LB CBB
Standard identifier	no data	1059000
Law governing the instrument	Luxembourgish law	Luxembourgish law
Regulatory treatment		
CRR transitional provisions	CET1	T2
CRR provisions after the transitional period	CET1	T2
Instrument type	Share capital	Subordinated loan
Amount eligible for regulatory capital	205	12
Nominal value of the instrument	205	62 (USD 65 million)
Minimum tradable quantity	–	–
Issue price	100.00 %	100.00 %
Redemption price	–	100.00 %
Accounting classification	Subscribed capital	Liability – amortised cost
Original issue date	Various	27 Dec. 2002
Indefinite or with expiry date	Indefinite	Expiry date
Original due date	–	29 Dec. 2017
May be terminated by issuer with prior consent of the supervisory body	No	Yes
Termination date may be selected, conditional termination dates and redemption amount	–	With the consent of the CSSF: three-month notice period to the end of the interest period
Later termination dates, if applicable	–	–
Coupons / dividends		
Fixed or variable dividends / coupon payments	Variable	Variable
Nominal coupon and reference index as relevant	–	3-month USD LIBOR + 0.44 %
Dividend stop in place	Yes	No
Fully discretionary, partially discretionary or mandatory (regarding time)	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (regarding the amount)	Fully discretionary	Mandatory
Interest increase clause or another redemption incentive in place	No	No
Non-cumulative or cumulative	–	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
If convertible: trigger for conversion	–	–
If convertible: conversion rate	–	–

Main features of the capital instruments	1	2
If convertible: conversion obligatory or optional	–	–
If convertible: type of instrument to be converted to	–	–
If convertible: issuer of instrument to be converted to	–	–
Write-down features	–	–
In case of write-down: trigger for write-down	No	No
In case of write-down: fully or in part	–	–
In case of write-down: permanent or temporary (in case of temporary write-down: mechanism for re-allocation)	–	–
In case of temporary write-down: mechanism for re-allocation	–	–
Priority position in case of liquidation (always specify the next instrument up)	–	–
Incorrect features of the converted instruments	Subordinate to subordinated loans	Subordinate to insolvency creditors
Specify any incorrect features	No	No
Specify any incorrect features	no data	no data

2.4 Capital Adequacy

2.4.1 Capital Requirements by Risk Type

Table 4 lists the regulatory capital requirements in accordance with art. 438 of the CRR for NORD/LB CBB, divided into the key risk types and displaying the approaches used.

Credit risks account in the amount of 95.54 per cent for the greatest share of total risk-weighted assets (RWA). For most of the portfolio the Bank uses the Internal Ratings Based Approach (IRBA) in order to calculate capital adequacy requirements. The Credit Risk Standard Approach (CRSA) is only used for some business segments.

Market-price risks, which are calculated in NORD/LB CBB using the standard approach, only account for 0.003 per cent of the RWA as at the reporting date. Market-price risks are entirely the result of interest-rate risks, as the open currency positions as at the reporting date are less than 2 per cent of capital. Ttherefore, these do not need to be backed by capital in accordance with art. 351 of the CRR. Share-price and commodity risks are not relevant.

Operational risks are also quantified in the Bank using the standard approach. As at 31 December 2016, they account for 4.16 per cent of total RWA.

Capital requirements were calculated for credit-value-adjustment risk (CVA risk) in accordance with art. 381 of the CRR. The Bank uses the standard approach for this purpose. It accounts for only 0.27 per cent of total RWA.

Table 4: Capital requirements, in € million

		Capital requirements 31 Dec. 2016	Capital requirements 31 Dec. 2015
	1 Credit risks	**322**	**313**
	1.1 Credit risk – standard approach	**71**	**71**
1	Central governments or central banks	–	–
2	Regional governments and local authorities	–	–
3	Public-sector entities	19	21
4	Multilateral development institutions	–	–
5	International organisations	–	–
6	Institutions	13	11
7	Corporates	29	29
8	Retail	–	–
9	Risk positions collateralised with real estate	–	–
10	Past-due risk positions	–	0
11	Very high-risk connected exposures	–	–
12	Covered bonds	3	3
13	Secured by mortgages of immovable properties	–	–
14	Collective investment undertakings (CIU)	–	–
15	Other risk positions	8	7
16	**Total for credit risk – standard approach**	**71**	**71**
	1.2 IRB approaches	250	242
17	Central governments or central banks	20	17
18	Institutions	78	84
19	Corporates – SME	–	–
20	Corporates – specialized lending	2	3
21	Corporates – other	151	138
22	Retail – secured by real estate SME	–	–
23	Retail – secured by real estate non-SME	–	–
24	Retail – qualifiying, revolving	–	–
25	Retail – other, SME	–	–
26	Retail – other, non-SME	–	–
27	Other non-loan-dependent assets	–	–
28	**Total for IRB approaches**	**250**	**242**
	1.3 Securitisations	0	0
29	Securitisations under the CRSA approach	–	–
30	of which: re-securitisations	–	–
31	Securitisations under the IRB approach	0	0
32	of which: re-securitisations	–	–
33	**Total securitisations**	**0**	**0**

		Capital requirements 31 Dec. 2016	Capital requirements 31 Dec. 2015
	1.4 Investments	**0**	**0**
34	Investments under the IRB approach	0	0
35	of which: internal model approach	–	–
36	of which: PD/LGD approach	–	–
37	of which: simple risk-weighting approach	0	0
38	of which: exchange-traded investments	–	–
39	of which: investments which are not exchange-traded but belong to a diversified investment portfolio	–	–
40	of which: other investments	0	0
41	Investments under the CRSA approach	–	–
42	of which: investment values in the case of continued use of the old methodology/grandfathering	–	–
43	**Total investments**	**0**	**0**
44	**1.5 Risk-position amount for contributions to the default fund of a central counterparty**	**–**	**–**
45	**Total investments**	**322**	**313**
46	**2. Clearing risks**	–	–
46	Clearing risks in the banking book	–	–
47	Clearing risks in the trading book	–	–
48	**Total clearing risks**	**–**	**–**
	3. Market-price risks	0	0
49	Standard approach	0	0
50	of which: interest-rate risks	0	0
51	of which: general and specific interest-rate risk (net interest position)	0	0
52	of which: specific interest-rate risk for securitisation exposures in the trading book	–	–
53	of which: specific interest-rate risk in the correlation trading portfolio	–	–
54	of which: share-price risks	–	–
55	of which: currency risks	–	–
56	of which: risks from commodity positions	–	–
57	Internal model approach	–	–
58	**Total market-price risks**	**0**	**0**
	4. Operational risks	**14**	**17**
59	Basic-indicator approach	–	–
60	Standard approach	14	17
61	Advanced measurement approach	–	–
62	**Total operational risks**	**14**	**17**
63	**5. Total amount of risk positions for credit value adjustment**	**1**	**1**
64	**6. Total amount of risk positions relating to large loans in the trading book**	**–**	**–**
	7. Other		
65	Other exposures	–	–
66	**Total amount of capital requirements**	**337**	**331**

2.4.2 Countercyclical Capital Buffer

In Tables 5 and 6 the geographical distribution of the credit risk positions relevant for the calculation of the anticyclical capital buffer as well as the resulting capital requirements and the amount of the institution-specific countercyclical capital buffer are disclosed in accordance with art. 440 para 1 of the CRR.

Table 5: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	General credit risk positions		Trading book risk positions		Securitisation risk positions		Other risk positions	Capital requirements								
	Risk positions		Sum of long and short positions of trading book exposures – SA	Value of trading book exposures for internal models	Risk positions		Other assets, excluding credit obligations	of which: General credit risk positions	of which: Trading book risk positions	of which: Specific risks in the Correlation Trading Portfolio (CTP)	of which: Securitisation risk positions	of which: other assets, excluding credit obligations	Total	Own funds requirements weights per country	Country-specific countercyclical capital buffer rate	Institution-specific countercyclical capital buffer rate
(in € million)	SA	IRB			SA	IRB										
Belgium	–	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Brazil	–	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Denmark	–	1	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Germany	329	3 941	–	–	–	–	–	154	–	–	–	–	154	1	–	–
Finland	–	35	–	–	–	–	–	1	–	–	–	–	1	0	–	–
France	0	30	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Great britain	3	49	–	–	–	–	–	2	–	–	–	–	2	0	–	–
Ireland	1	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Israel	–	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Italy	0	51	–	–	–	–	–	3	–	–	–	–	3	0	–	–
Jersey	–	3	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Cayman Islands	–	5	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Canada	–	115	–	–	–	–	–	2	–	–	–	–	2	0	–	–
Kenya	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Luxembourg	84	124	–	–	–	–	–	12	–	–	–	–	12	0	–	–
Namibia	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
New Zealand	–	119	–	–	–	–	–	1	–	–	–	–	1	0	–	–
Netherlands	8	43	–	–	–	–	–	2	–	–	–	–	2	0	–	–
Austria	0	149	–	–	–	–	–	5	–	–	–	–	5	0	–	–
Panama	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Philippines	–	2	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Poland	1	2	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Portugal	–	–	–	–	–	–	–	–	–	–	–	–	–		–	–
Switzerland	0	556	–	–	–	–	–	4	–	–	–	–	4	0	–	–
Singapore	1	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Other countries	3	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Spain	166	–	–	–	–	–	–	3	–	–	–	–	3	0	–	–
South Africa	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Thailand	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Czechia	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
Hungary	0	–	–	–	–	–	–	0	–	–	–	–	0	0	–	–
USA	9	132	–	–	–	–	–	3	–	–	–	–	3	0	–	–
Total	**606**	**5 357**	**–**	**–**	**–**	**–**	**–**	**192**	**–**	**–**	**–**	**–**	**192**	**1**	**–**	**–**

Table 6: Amount of institution-specific countercyclical capital buffer

Total risk exposure amount (in € million)	4 210
Institution-specific countercyclical capital buffer rate	0.0 %
Capital requirements for countercyclical capital buffer (in € million)	0

2.4.3 Instruments Protecting the Bank

Besides NORD/LB CBB's adequate capital resources, there are further instruments that serve to protect the Bank.

NORD/LB, as the parent company, has issued a letter of comfort for NORD/LB CBB.

As a subsidiary of NORD/LB, the Bank is also covered by the protection system of the Savings Bank Financial Group (Sparkassen-Finanzgruppe).

3 Disclosures Concerning the Risk Types

3.1 Credit Risk

3.1.1 Credit Risks

In order to calculate the capital adequacy requirement for credit risks, NORD/LB CBB uses the Internal Ratings Based Approach (IRBA).

For some business segments, i.e. for savings bank guaranteed lending business, current account overdrafts and Lombard loans, the Credit Risk Standard Approach (CRSA) is used. Permanent partial use was authorised by the Luxembourg Financial Supervisory Authority CSSF (Commission de Surveillance du Secteur Financier).

The Bank uses the IRB approaches to calculate the capital adequacy requirement and to measure securitisation exposures, regardless of the role played by the Bank in a securitisation exposure. For external unrated sponsor exposures, the Bank uses the IAA. For investor exposures the Bank uses the RBA.

3.1.2 Structure of the Credit Portfolio

Tables 7 to 14 show the total amount of risk positions broken down by risk position class. They are broken down by industry, region and residual contractual maturity.

The Bank does not have any risk positions with SMEs.

In order to compare the risk positions under CRSA and IRBA, the CRSA positions are reported gross, before the deduction of valuation allowances.

The risk positions were calculated before taking into account credit risk mitigation methods and before use of the credit conversion factor (CCF). Derivative risk positions are recorded with their credit equivalents (including add-ons and taking into account netting).

Table 7: Total amount of risk positions in CRSA, in € million

(in € million)	Total amount of risk positions as at 31 Dec. 2016	Average total amount of risk positions in 2016	Total amount of risk positions as at 31 Dec. 2015	Average total amount of risk positions in 2015
Central governments or central banks	291	342	293	265
Public-sector entities	843	882	905	990
International organisations	249	286	397	375
Institutions	274	217	158	172
Corporates	1 289	1 413	1 425	1 531
Past-due positions	0	0	0	0
Covered bonds	166	186	189	149
Other risk positions	79	85	77	77
Total	**3 191**	**3 411**	**3 443**	**3 559**

Table 8: Total amount of risk positions in IRBA, in € million

(in € million)	Total amount of risk positions as at 31 Dec. 2016	Average total amount of risk positions in 2016	Total amount of risk positions as at 31 Dec. 2015	Average total amount of risk positions in 2015
Central governments or central banks	2 348	2 341	2 286	2 076
Institutions	4 093	4 660	5 348	6 577
Corporates – specialized lending	589	540	609	539
Corporates – other	8 779	8 147	6 897	6 776
Securitisations	46	43	42	43
Investments	0	0	0	0
Total	**15 854**	**15 731**	**15 183**	**16 011**

Table 9: Total amount of risk positions by industry in CRSA, in € million

(in € million)	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport, communications	Financial institutions/insurance corporates	Service industries/other	Total
Central governments or central banks	–	–	–	–	–	–	49	242	291
Public-sector entities	–	–	–	–	–	–	–	843	843
International organisations	–	–	–	–	–	–	–	249	249
Institutions	–	–	–	–	–	–	274	–	274
Corporates	123	–	1	55	–	15	750	345	1 289
Past-due positions	–	–	–	–	–	–	–	0	0
Covered bonds	–	–	–	–	–	–	166	–	166
Other risk positions	–	–	–	–	–	–	79	–	79

Table 10: Total amount of risk positions by industry in IRBA, in € million

(in € million)	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport, communications	Financial institutions / insurance corporates	Service industries / other	Total
Central governments or central banks	–	–	–	–	–	–	683	1 665	2 348
Institutions	–	–	–	–	–	–	4 093	–	4 093
Corporates – special finance	–	6	22	–	–	92	104	365	589
Corporates – other	1 701	1 176	85	671	23	868	2 853	1 402	8 779
Securitisations	–	–	–	–	–	–	46	–	46
Investments	–	–	–	–	–	–	–	0	0

Table 11: Total amount of risk positions by region in CRSA, in € million

(in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East / Africa	Asia / Australia	Other	Total
Central governments or central banks	242	49	–	–	–	–	–	–	291
Public-sector entities	1	–	–	842	–	–	–	–	843
International organisations	–	–	–	–	–	–	–	249	249
Institutions	190	–	84	–	–	–	–	–	274
Corporates	829	158	13	285	–	3	1	–	1 289
Past-due positions	–	–	–	–	–	–	–	–	–
Covered bonds	–	166	–	–	–	–	–	–	166
Other risk positions	–	79	–	–	–	–	–	–	79

Table 12: Total amount of risk positions by region in IRBA, in € million

Total gross credit volume (in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East / Africa	Asia / Australia	Other	Total
Central governments or central banks	967	572	295	380	–	–	21	113	2 348
Institutions	1 946	863	702	424	15	–	143	–	4 093
Corporates – special finance	66	145	296	82	–	–	–	–	589
Corporates – other	6 019	508	1 215	876	40	–	121	–	8 779
Securitisations	–	46	–	–	–	–	–	–	46
Investments	–	0	–	–	–	–	–	–	0

Table 13: Residual contract maturities in CRSA, in € million

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments or central banks	49	117	125	291
Public-sector entities	13	149	681	843
International organisations	0	151	98	249
Institutions	78	193	3	274
Corporates	194	462	633	1 289
Past-due positions	–	–	–	–
Covered bonds	–	–	166	166
Other risk positions	79	–	–	79

Table 14: Residual contract maturities in IRBA, in € million

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments or central banks	374	937	1 037	2 348
Institutions	2 367	1 207	519	4 093
Corporates – specialized lending	16	97	476	589
Corporates – other	2 373	3 733	2 673	8 779
Securitisations	–	46	–	46
Investments	–	–	0	0

3.1.3 Risk Provisioning

Exposures are inspected at regular intervals, i.e. in a system of scheduled loan monitoring, in order to ascertain whether the claims of the Bank are recoverable or whether interest and principal payments appear to be totally or partly at risk. A review is also carried out when negative information is received (early warning indicators) about a borrower, for example information relating to the borrower's financial situation, collateral value and industry environment as well as when establishing the reason for default (and issuing a default rating). Objective indications which might result in the need for a loan loss provision are for example the default on interest and capital payments or a delay in such payments of more than 90 days and considerable financial difficulties on the part of the debtor.

A receivable on the other hand is past due from the first day of default. For acute counterparty risks, if there are objective indications of a permanent loss in value the Bank makes specific loan loss provision. A loan loss provision requirement is based on a present value consideration of anticipated interest and redemption payments which are still expected as well as on profits from the realisation of collateral.

The latent counterparty risk of the entire onbalance-sheet and off-balance-sheet lending business for which no specific valuation allowance is formed is taken into account at the NORD/LB Group by forming portfolio valuation allowances (PVA) for impairments that have already occurred, but were not known as of the balance sheet date. The calculation is made on the basis of historical probabilities of default and loss rates. The portfolio-specific LIP factor (loss identification period factor) is also considered.

Irrecoverable loans of up to € 10,000 for which there is no specific loan loss provision are written off immediately. Payments received for written-off loans and advances are recognised through profit or loss.

For further information on the accounting policies for risk provisioning in accordance with IFRSs the notes to the consolidated financial statements (Note 7) in the Annual Report are referred to. Under the current incurred loss model of IAS 39, the risk provisioning in its entirety is classified under the current regulatory provisions of the CRR as specific credit-risk adjustments. These include specific loan loss provisions, general loan loss provisions and provisions for credit risks of off-balance-sheet risk positions. There are no general credit-risk adjustments under the current accounting requirements for financial instruments of IAS 39.

In accordance with art. 442 letters g and h of the CRR, Tables 15 to 17 show the impaired and past-due risk positions separately. Impaired positions are reported net, i.e. after specific loan loss provisions have been taken into account. Past-due risk positions do not correspond with risk positions for which specific loan loss provisions have been taken into account with a default of one day or more. They are broken down by industry and region. General loan loss provisions are reported as a total and are not broken down by industry and region.

In order to distinguish between impaired and past-die risk positions, the three default rating classes 16 to 18 are used taking into account the default criteria in accordance with art. 178 of the CRR. Rating 16 covers the default reasons of default in payment / exceeding of a credit line for more than 90 days and improbability of repayment. Rating 17 covers the default reasons of restructuring / rescheduling / recovery and loan loss allowance / partial write-off. Rating 18 covers the default reasons of creditworthiness-based termination / calling of loan repayment (only DSGV methods), complete write-off / charge-off, loan asset sale with significant creditworthiness-based loss and insolvency (application) / coercive measures.

For rated CRSA and IRBA positions, all the impaired risk positions are equivalent to the rating classes 17 and 18. All the remaining past-due risk positions are included in rating class 16. Unrated CRSA positions in the exposure class “past-due positions” are allocated to the respective category on the basis of specific characteristics.

Table 17 shows the development of specific credit-risk adjustments in the period under review.

Table 15: Impaired and past-due risk positions by industry, in € million

(in € million)	Total amount of impaired risk positions	SLLP	GLLP	Provisions	Net allocation/reversal of specific loan loss provisions	Direct write-down	Additions to written-down loans and advances	Past-due risk positions (not including valuation allowance requirement)
Manufacturing	23	18	———	0	0	–	–	18
Energy, water and mining	–	–	———	–	–	–	–	–
Construction	0	0	———	–	0	–	–	0
Trade, maintenance and repairs	1	–	———	–	–	–	–	1
Agriculture, forestry and fishing	–	–	———	–	–	–	–	–
Transport, communications	–	–	———	–	–	–	–	–
Financial institutions/insurance companies	21	2	———	–	– 16	–	–	0
Service industries/other	17	0	———	–	0	–	0	1
Total	**62**	**20**	**24**	**0**	**– 16**	**–**	**0**	**20**

Table 16: Impaired and past-due risk positions by region, in € million

(in € million)	Total amount of impaired risk positions	SLLP	GLLP	Provisions	Past-due risk positions (not including valuation allowance requirement)
Germany	37	20		0	20
Other euro countries	9	–		–	0
Rest of Europe	16	–		–	–
North America	–	–		–	–
Central and South America	–	–		–	–
Middle East / Africa	–	–		–	–
Asia / Australia	–	–		–	–
Other	–	–		–	–
Total	**62**	**20**	**24**	**0**	**20**

Table 17: Development of specific credit-risk adjustments, in € million

(in € million)	Opening balance for the period	Adjustments in the period	Reversal	Utilisation	Exchange-rate related and other changes	Closing balance for the period
SLLP	36	1	0	– 17	0	20
Provisions	0	0	– 1	0	0	0
GLLP	25	0	– 2	0	1	24

As at the reporting date, the risk provisioning of the NORD/LB CBB totals € 44 million. This is € 17 million less than in the previous year.

3.1.4 Credit Risk Mitigation Techniques

3.1.4.1 Collateral Management

For the assessment of credit risks, in addition to the credit rating of borrowers or counterparties reflected in the rating, the customary bank securities available and other risk reduction methods are of importance. When accepting securities the cost-benefit relationship of the security is considered.

The collateral is assessed 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 amount 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.

In the NORD/LB Luxembourg Group, only guarantees, sureties and financial collateral are used to mitigate risk.

The collateral defined as relevant for NORD/LB CBB is recorded and presented in the Bank's core banking system, which is also used for the inclusion of collateral when calculating the capital adequacy requirement and for regulatory reports.

In cooperation lending, collateral is managed and held by NORD/LB.

In order to ensure the legal validity and enforceability of collateral, standard contracts are mainly used. In addition to this, internal or external legal opinions are obtained where necessary and the preparation of contracts is assigned to authorised law firms.

3.1.4.2 Collateral to Ease Equity Requirements

Indemnity agreements taken into account in the credit risk mitigation techniques are primarily sureties and guarantees. The valuation is performed on the basis of the guarantor's credit rating. The same rating rules apply as for all other borrowers. The main types of guarantors are public institutions and banks with a very good rating. The biggest guarantor is NORD/LB with a collateralised exposure of € 3.9 billion as at 31 December 2016.

Risk concentrations from accepting guarantees are monitored in connection with the direct exposure of the guarantor. They are reported in the quarterly Credit Portfolio Report.

Financial collateral is primarily cash deposits. In the trading sector, repo transactions continue to be effected. Where the Bank is the transferor, only cash collateral is considered. The Bank only concludes transferee transactions secured by bonds with counterparties with first-class credit ratings. Transactions are therefore low risk. Counterparty limits are automatically valued and monitored daily so that no concentration of risk arises. Additionally, market-price fluctuations in the scope of margin calls are settled daily in the form of bonds and cash deposits.

The tables below contain an overview of the collateralised CRSA and IRBA exposure values for each exposure class in accordance with art. 453 of the CRR. With derivatives, netting agreements are considered.

The exposure values reported are collateralised by eligible financial collateral in accordance with art. 197 (1) of the CRR after the application of value fluctuation factors and guarantees in accordance with art. 201 of the CRR.

Table 18: Total amount of collateralised CRSA exposure values, in € million

Exposure class	Financial collateral	Mortgage liens	Guarantees and credit derivatives
Central governments or central banks	–	–	–
Public-sector entities	0	–	–
International organisations	–	–	–
Institutions	46	–	–
Corporates	80	–	806
Past-due positions	–	–	–
Covered bonds	–	–	–
Other risk positions	–	–	–
Total	**126**	**–**	**806**

Table 19: Total amount of collateralised IRBA exposure values, in € million

Exposure class	Financial collateral	Other / physical collateral	Guarantees and credit derivatives
Central governments or central banks	–	–	83
Institutions	982	–	170
Other non-loan-dependent assets	–	–	–
Retail	–	–	–
of which: qualified, revolving	–	–	–
of which: residential real-estate loans	–	–	–
of which: other	–	–	–
Investments	–	–	–
of which: simple risk-weighting approach	–	–	–
of which: internal model approach	–	–	–
of which: PD/LGD approach	–	–	–
Corporates	514	–	3 801
of which: SME	–	–	–
of which: SME SF	–	–	–
Total	**1 496**	**–**	**4 054**

3.1.4.3 Netting Agreements

In order to mitigate counterparty risk in trading the Bank employs netting agreements covering derivatives.

Netting agreements are always multilateral. Only standard general agreements are used. New agreements are concluded on behalf of the Bank by NORD/LB's Legal Department. The legal enforceability of the netting agreements in the different jurisdictions is monitored by regularly obtaining legal opinions.

Contractual netting takes place. The Luxembourg Financial Supervisory Authority CSSF regularly asks for legal opinions on the jurisdictions in which the Bank's counterparties are based. These legal opinions are delivered to the CSSF.

Netting agreements on money receivables and cross-product netting agreements are not used.

Only cash collateral is currently accepted for securitising derivative transactions. Standard general agreements are also used here.

4 Leverage Ratio

With the entry into force of the CRR on 1 January 2014, the leverage ratio was introduced as a non-risk-based indicator. Since 1 January 2015 information about the leverage ratio has to be disclosed, according to art. 451 of the CRR.

Tables 20 to 22 take account of the provisions of the Delegated Regulation (EU) 2015/62. The disclosure is based on the disclosure tables of the applicable technical standards.

As at 31 December 2016 NORD/LB CBB's leverage ratio in accordance with the Delegated Regulation was 3.67 per cent (previous year: 3.69 per cent). Here a Tier 1 capital of € 625 million in relation to the total exposure measure of € 17.051 billion is considered.

Table 20: Summary reconciliation of accounting assets and leverage ratio exposures

		Estimated value 31 Dec. 2016 (in € million)	Estimated value 31 Dec. 2015 (in € million)
1	Total assets as per published financial statements	15 936	15 832
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–	–
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with article 429 (13) of Regulation (EU) No. 575/2013)	–	–
4	Adjustments for derivative financial instruments	– 170	– 199
5	Adjustment for securities financing transactions (SFTs)	210	–
6	Adjustment for off-balance sheet items (i. e. conversion to credit equivalent amounts of off-balance sheet exposures)	1 081	1 416
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (7) of Regulation (EU) No. 575/2013)	–	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (14) of Regulation (EU) No. 575/2013)	–	–
7	Other adjustments	– 6	–
8	**Leverage ratio total exposure measure**	**17 051**	**17 049**

Table 21: Standard disclosure table for the leverage ratio

		Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)	Risk positions for the CRR leverage ratio 31 Dec. 2015 (in € million)
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	14 899	15 505
2	(Asset amounts deducted in determining Tier 1 capital)	– 21	–
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**14 878**	**15 505**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i. e. net of eligible cash variation margin)	131	92
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	116	93
EU-5a	Exposure determined under Original Exposure Method	–	–
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	–	342
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	– 399
8	(Exempted CCP leg of client-cleared trade exposures)	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	–
11	**Total derivatives exposures (sum of lines 4 to 10)**	**247**	**128**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	635	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
14	Counterparty credit risk exposure for SFT assets	210	–
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with articles 429b (4) and 222 of Regulation (EU) No. 575/2013	–	–
15	Agent transaction exposures	–	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**845**	**–**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	2 051	1 555
18	(Adjustments for conversion to credit equivalent amounts)	– 970	– 139
19	Other off-balance sheet exposures (sum of lines 17 and 18)	1 081	1 416

		Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)	Risk positions for the CRR leverage ratio 31 Dec. 2015 (in € million)
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	–	–
EU-19b	(Exposures exempted in accordance with article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	–	–
Capital and total exposure measure			
20	Tier 1 capital	625	629
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**17 051**	**17 049**
Leverage ratio			
22	Leverage ratio	3.67 %	3.69 %
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	no Transition rule	no Transition rule
EU-24	Amount of derecognised fiduciary items in accordance with article 429 (11) of Regulation (EU) No. 575/2013	–	–

Table 22: Breakdown of reported risk positions (not including derivatives and securities financing transactions)

		Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)	Risk positions for the CRR leverage ratio 31 Dec. 2015 (in € million)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	14 899	15 505
EU-2	Trading book exposures	–	9 570
EU-3	Banking book exposures, of which:	14 899	15 495
EU-4	Covered bonds	1 549	1 644
EU-5	Exposures treated as sovereigns	2 889	2 916
EU-6	Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	940	964
EU-7	Institutions	1 236	2 456
EU-8	Secured by mortgages of immovable properties	–	–
EU-9	Retail exposures	–	–
EU-10	Corporate	8 164	7 313
EU-11	Exposures in default	43	94
EU-12	Other exposures (e. g. equity, securitisations, and other non-credit obligation assets)	79	119

The leverage ratio is reported quarterly to the Managing Board. Operational control takes place in the quarterly meetings of the Asset Liability Committee (ALCO). The development of total assets is monitored operationally based on target values that are defined quarterly. If necessary, as part of the control of defined individual portfolios taking into account the maturity structure and fungibility of the assets, measures can be initiated by the ALCO to reduce the total assets and therefore raise the leverage ratio. Significant decisions are discussed in the ALCO and are then made by the Managing Board.

5 List of Tables

6 List of Abbreviations

AT1	Additional Tier 1 capital
CCF	Credit Conversion Factor
CET1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CRSA	Credit Risk Standard Approach
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg Financial Supervisory Authority)
EBA	European Banking Authority
EU	European Union
GLLP	General loan loss provisions
IAA	Internal Assessment Approach
IFRS	International Financial Reporting Standards
IRBA	Internal Ratings Based Approach
LGD	Loss Given Default
LR	Leverage Ratio
NORD/LB	Norddeutsche Landesbank Girozentrale, Hanover
PD	Probability of Default
RBA	Rating Based Approach
RBC	Risk-Bearing Capacity
Repo	Repurchase Agreement
RW	Risk Weight
RWA	Risk-weighted assets
SMEs	Small and medium-sized enterprises
SVA	Specific valuation allowance
T2	Tier 2 capital

Die norddeutsche Art.

NORD/LB
Norddeutsche Landesbank Girozentrale
Friedrichswall 10
30159 Hannover

Phone: +49 (0) 511/361-0
Fax: +49 (0) 511/361-2502
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