NORD/LB

Die norddeutsche Art.

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

as at 31 December 2015

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 2015 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 article 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 article 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", page 264.

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 article 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 article 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. These are prepared on the basis of International Financial Reporting Standards (IFRS). An exception is Bremer Landesbank, whose annual reports are prepared on the basis of the German Commercial Code (HGB).

In particular information concerning capital and the risk types specified by the CRR is disclosed. Quantitative disclosures contained in this report are based on IFRSs, which constituted the basis for preparing regulatory reports in accordance with the CRR in the NORD/LB Group. Bremer Landesbank, whose quantitative disclosures are based on the German Commercial Code, is an exception here too.

For further information about risk, and in particular about the extensive reporting on the organisation of risk management including the risk control models used, we refer to the Management Report of the NORD/LB Group, Basic Information about the NORD/LB Group and the Forecast, Risk and Opportunities 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 article 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 article 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, 37 other companies in which NORD/LB holds a direct or indirect interest. Besides NORD/LB, these include three banks, 27 financial companies, three financial services institutes, three providers of support services and one investment company. In terms of regulatory law, twelve of these companies are fully consolidated. 25 companies are exempted in accordance with article 19 of the CRR from inclusion in the basis of consolidation under regulatory law.

In the basis of consolidation under commercial law, 42 subsidiaries and one investment fund are fully consolidated alongside the parent company NORD/LB. Two joint ventures, eleven affiliated companies and one investment fund are accounted for using the at-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, we refer 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 86).

Table 1: Consolidation matrix for the NORD/LB Group

Classification	Name	Regulatory treatment			IFRS consolidation			Internal classification of materiality		
		Consolidation	Considered in the threshold method	Risk-weighted investments	Full	At equity	not consolidated	material investment	significant investment	Holding company
Credit institution (parent company)	Norddeutsche Landesbank Girozentrale	●			●					
Credit institution	Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –	●			●			●		
Credit institution	Norddeutsche Landesbank Luxembourg S. A. Covered Bond Bank	●			●			●		
Credit institution	Deutsche Hypothekenbank (Actien-Gesellschaft)	●			●			●		
Finance company	Nieba GmbH	●			●					●
Finance company	Nord-Ostdeutsche Bankbeteiligungs GmbH	●			●					●
Finance company	NORD/LB Asset Management Holding GmbH	●			●			●		
Ancillary service undertaking	KreditServices Nord GmbH	●			●					
Finance company	NOB Beteiligungs GmbH & Co. KG	●			●					●
Asset Management Company	NORD/LB Asset Management AG	●			●				●	
Financial services institute	TLN Beteiligung Anstalt des öffentl. Rechts & Co. KG	●			●					●
Financial services institute	BLB Leasing GmbH	●			●				●	
Insurance company	Öffentliche Lebensversicherung Braunschweig		●			●		●		
Insurance company	Öffentliche Sachversicherung Braunschweig		●			●		●		
Credit institution	LBS Norddeutsche Landesbausparkasse Berlin-Hannover		●			●			●	
Credit institution	Deutsche Factoring Bank Deutsche Factoring GmbH & Co.		●			●			●	
Credit institution	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 of 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 Business Customers, Corporate Customers and Markets, Energy and Infrastructure Customers, Ship and Aircraft Customers and Real Estate Banking Customers.

Bremer Landesbank sees itself as a universal bank acting as a regional business bank with specialist international business while at the same time performing its role as a state bank and a central bank for the savings banks. Its core business region is North West Germany, from where the bank supports its regional and international customers in Europe. The owners of Bremer Landesbank are NORD/LB, which holds 54.8 per cent of the share capital, the federal state of Bremen with a 41.2 per cent shareholding and Association of the Savings Banks of Lower Saxony with 4.0 per cent.

NORD/LB Luxembourg S.A. Covered Bond Bank based in Luxembourg is a wholly-owned subsidiary of NORD/LB AöR. It emerged from the merger of Norddeutsche Landesbank Luxembourg S.A. (established 1972) with NORD/LB Covered Finance Bank S.A. The merger took place by way of universal succession by NORD/LB Luxembourg S.A. in 2015; NORD/LB Covered Finance Bank S.A. ceased to exist as a legally independent entity.

NORD/LB Luxembourg S.A. Covered Bond Bank is a specialist bank with the purpose of conducting all business that a Pfandbrief bank is allowed to conduct under the law of the Grand Duchy of Luxembourg. It is also active in the Financial Markets & Sales, Loans and Client Services & B2B segments.

Deutsche Hypo, which was established in 1872, is a mortgage bank with a rising volume of commercial real estate business. The pooling of know-how raises the significance, image and acquisition power of the NORD/LB Group among customers, partners and investors in the commercial real estate market. 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 in the version of the German Banking Act applicable at this time. The profit and loss transfer agreement concluded for an indefinite period of time by Deutsche Hypo and NORD/LB constitutes the basic prerequisite for this. 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 no longer apply. The aforementioned requirements are, against the background of the regulatory management of Deutsche Hypo by NORD/LB, 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 do not exist at NORD/LB.

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, we refer 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 Group risk strategy policy and are reviewed at least once a year and as and when required. All risk strategies contain information on the principles of risk strategy, the organisation of the risk management and on sub-strategies for risks relating to the material risk types.

The 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, reputation risk, syndication risk, pension risk and real estate risk. All material risk types are controlled by the NORD/LB Group's risk-management system. The material risk types consider all relevant risks.

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.

Structure and organisation of the relevant 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 responsible Chief Risk Officer (CRO) in the Managing Board of NORD/LB bears, in concert with the heads of the market departments, responsibility for drawing up and monitoring the Group risk strategy. This includes the monitoring of material risks including the risk reporting at Group level. At individual institute level responsibility lies with the respective Managing Board member or the risk officer.

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

Operational risk management is performed decentrally in the Group companies. In order to ensure the greatest possible comparability with regard to the assessment, monitoring, controlling and reporting of all material risks, the instruments used for this purpose are agreed 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 aim of the model is to aggregate and duly present the bank's risk-bearing capacity at both institute and group level. The monitoring and reporting process is conducted regularly and guarantees that the responsible bodies are promptly informed about risk-bearing capacity situation of the significant Group companies from a risk point of view and the NORD/LB Group as a whole.

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

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

The second consideration level is the gone-concern scenario, which represents a secondary requirement in the RBC model. The gone-concern scenario considers a higher confidence level from a risk potential point of view of 99.9 per cent and compares the corresponding economically-calculated risk potentials with a risk capital that is based on the full regulatory capital.

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

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

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

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

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

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.
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 strategic control of market-price risks is supported by the Asset Liability Committee (ALCO). The ALCO is an advisory body that generally meets on a monthly basis at the level of NORD/LB and on a quarterly basis at the level of the NORD/LB Group. It supports the strategic control of market-price risk positions, liquidity positions and the investment portfolio with the aim of optimising the profitability of the risk capital tied up in the positions. For this purpose recommendations for action are developed as a basis for decision-making for the Financial Markets Director.

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

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

In order to limit market-liquidity risk the NORD/LB Group primarily makes securities transactions in markets which have proven themselves to be sufficiently liquid even when they are under pressure.

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

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

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. The privileging options resulting from § 25 d para. 3 of the German Banking Act were used in establishing the number of mandates.

Table 2: Directorships held by members of the Supervisory Board

Name	Title	First name	Management functions	Supervisory functions
Schneider		Peter-Jürgen	0	4
Mang		Thomas	0	4
Bullerjahn		Jens	0	3
Berg		Frank	1	2
Dierkes		Norbert	1	1
Döpke		Edda	0	1
Dörries		Ralf	0	1
Eller	Dr.	Elke	1	1
Hildebrandt		Frank	0	1
Klingebiel		Frank	0	1
Knorre	Prof. Dr.	Susanne	0	4
Mägde		Ulrich	0	4
Momann		Ludwig	1	2
Niewisch-Lennartz		Antje	0	2
Pedersen		Freddy	0	1
Rheinbrecht		Jörg	0	2
Thonagel		Ilse	0	1
von Nathusius		Felix	2[1)]	1

[1)] One management mandate will be relinquished in the near future.

Table 3: Directorships held by members of the Managing Board

Name	Title	First name	Management functions	Supervisory functions
Dunkel	Dr.	Gunter	1	2
Schulz		Christoph	1	1
Holm	Dr.	Hinrich	1	3[1]
Forst		Eckhard	1	2
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 7 members can be chosen freely. The power to appoint these members lies with the owners of NORD/LB (5 members from the federal state of Lower Saxony and 2 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. The guideline 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 2015.

The Finance and Risk Compass prepared on a quarterly basis and the preliminary summary of the risk situation of NORD/LB and the risk-bearing capacity reports (RBC reports) prepared in the subsidiaries on at least a quarterly basis constitute the key instrument for the internal reporting of risks at Group and individual institute level to the respective Managing Board and the supervisory bodies. Compliance with the specifications of the risk strategy on risk appetite and on the allocation of risk capital to the material risk types is therefore reviewed regularly.

In addition to receiving the report on risk-bearing capacity, the Managing Boards of the institutes subject to the Covered Bond Act (Pfandbriefgesetz) are also informed about risks relating to Pfandbrief on at least a quarterly basis. These reports prepared at individual institute level meet the requirements of § 27 of the Covered Bond Act (Pfandbriefgesetz).

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 article 437 (1) letter 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. 2015 (in € million)	FinRep 31 Dec. 2015 (in € million)	Reference
Financial assets at fair value through profit or loss	14 035	14 047	[1]
of which: non-significant investments in Common Equity Tier 1		12	9
Financial assets	34 515	35 076	
of which: significant investments in Common Equity Tier 1		256	10
of which: non-significant investments in Common Equity Tier 1		208	9
of which: non-significant investments in Additional Tier 1 capital		127	9
of which: non-significant investments in Tier 2 capital		37	9
Investments accounted for using the equity method	290	275	11 [3]
of which: Goodwill		13	6
Intangible assets	149	148	6
Deferred income taxes	663	3 915	
of which: deferred tax assets not due to temp. differences (losses c/f)		9	7
of which: deferred tax assets due to temp. differences		3 906	8

Liabilities	IFRS 31 Dec. 2015 (in € million)	FinRep 31 Dec. 2015 (in € million)	Reference
Financial liabilities at fair value through profit or loss	16 057	16 057	1) 2)
Negative fair values from hedge accounting derivatives	3 267	3 148	2)
Deferred income taxes	87	3 302	
of which: deferred tax liabilities relating to intangible assets		20	6
of which: deferred tax liabilities not due to temp. differences		6	7
of which: deferred tax liabilities due to temp. differences		3 216	8
Subordinated capital	4 299	4 308	12
Equity			
Subscribed capital	1 607	1 607	1
Capital reserves	3 332	3 332	2
Retained earnings	2 493	2 557	3
Revaluation reserve	455	403	4
Currency translation reserve	– 9	– 9	5
Additional equity components	49	49	
Equity attributable to the owners of NORD/LB	7 927	7 940	
Non-controlling interests	586	834	
	8 513	**8 773**	

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 € 72 million.
2) Debit value adjustments (DVA) result from original and derivative liabilities. As at the reporting date DVA total € 75 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 2015 totals € 10.647 billion. It comprises Tier 1 capital in the amount of € 8.439 billion and Tier 2 capital in the amount of € 2.207 billion. The Tier 1 capital comprises Common Equity Tier 1 capital instruments (€ 8.319 billion) and Additional Tier 1 capital instruments (€ 120 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 (€ 2.824 billion), cumulative other comprehensive income (€ 84 million) and eligible instruments of Common Equity Tier 1 capital of subsidiaries (€ 837 million). In addition, as at the reporting date grandfathered instruments in the amount of € 34 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 an increase in Common Equity Tier 1 in the total amount of € 36 million. Deductions reduce the Common Equity Tier 1 by the total amount of € 986 million. Due to transitional provisions, the Common Equity Tier 1 is increased by € 540 million. The Common Equity Tier 1 is therefore reduced in total by € 410 million.

The **Additional Tier 1** capital only contains effects from the CRR transitional provisions. The effects of the transitional provisions result in a positive balance in Additional Tier 1 capital of € 120 million.

The **Tier 2 capital** consists of paid-in capital instruments (€ 2.616 billion) and eligible instruments of Tier 2 capital of subsidiaries (€ 270 million).

Deductions reduce the Tier 2 capital by € 25 million. The transitional provisions result in a reduction in Tier 2 capital of € 654 million.

Table 5 below provides a breakdown of the regulatory capital during the transitional period. Unlike in the previous year, the table was prepared on the basis of NORD/LB's regulatory CoRep Report as at 31 December 2015, which is also the basis for the "regulatory data" published in the Annual Report.

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 (CET1): Instruments and reserves				
Capital instruments and the related share premium accounts	4 930	Art. 26 (1), 27, 28, 29 CRR in conjunction with EBA breakdown in accordance with Art. 26 (3) CRR		
of which: Subscribed capital	1 607	EBA breakdown in accordance with Art. 26 (3) CRR		1
of which: Capital reserves	3 322	EBA breakdown in accordance with Art. 26 (3) CRR		2
Retained earnings	2 306	Art. 26 (1) (c) CRR		3
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	84	Art. 26 (1) CRR		
of which: Revaluation reserve	95			4
of which: Currency translation reserve	– 11			5
Amount of qualifying items referred to in Art. 484 (3) CRR and the related share premium accounts subject to phase out from CET 1	34	Art. 486 (2) CRR		
Public sector capital injections grandfathered until 1 January 2018	N/A	Art. 483 (2) CRR		
Minority Interests (amount allowed in consolidated CET1)	837	Art. 84, 479, 480 CRR	0	
Independently reviewed interim profits net of any foreseeable charge or dividend	539	Art. 26 (2) CRR		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	8 729			

	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 (CET1) capital: regulatory adjustments				
Additional valuation adjustments (negative amount)	– 39	Art. 34, 105 CRR		
Intangible assets (net of related tax liability) (negative amount)	– 56	Art. 36 (1) (b), 37, 472 (4) CRR	– 85	6
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilitiy where the conditions in Art. 38 (3) are met) (negative amount)	– 1	Art. 36 (1) (c), 38, 472 (5) CRR	– 2	7
Fair value reserves related to gains or losses on cash flow hedges	0	Art. 33 (a) CRR		
Negative amounts resulting from the calculation of expected loss amounts	– 328	Art. 36 (1) (d), 40, 159, 472 (6) CRR	– 492	
Any increase in equity that results from securitised assets (negative amount)	0	Art. 32 (1) CRR		
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	68	Art. 33 (b) CRR		
Gains or losses on derivative liabilities valued at fair value resulting from the Institution's own credit risk	3	Art. 33 (c) CRR	4	
Defined-benefit pension fund assets (negative amount)	0	Art. 36 (1) (e), 41, 472 (7) CRR	0	
Direct and indirect holdings by an institution of own CET1 (negative amount)	0	Art. 36 (1) (f), 42, 472 (8) CRR	0	
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	Art. 36 (1) (g), 44, 472 (9) CRR	0	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10 % threshold and net of eligible short positions) (negative amount)	0	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79,472 (10) CRR	0	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 bis 3), 79, 470, 472 (11) 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 amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	0	Art. 36 (1) (k) CRR		
of which: qualifying holdings outside the financial sector (negative amount)	0	Art. 36 (1) (k) (i), 89, 90, 91 CRR		
of which: securitisation positions (negative amount)	0	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 CRR		
of which: free deliveries (negative amount)	0	Art. 36 (1) (k) (iii), 379 (3) CRR		
Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Art. 38 (3) CRR are met) (negative amount)	0	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	0	8
Amount exceeding the 15 % threshold (negative amount)	0	Art. 48 (1) CRR		
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) CRR		
of which: deferred tax assets arising from temporary differences	0	Art. 36 (1) (c), 38,48 (1) (a), 470, 472 (5) CRR		
Losses for the current financial year (negative amount)	– 9	Art. 36 (1) (a), 472 (3) CRR		
Foreseeable tax charges relating to CET1 items (negative amount)	0	Art. 36 (1) (l) CRR		
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				
Regulatory adjustments relating to unrealised gains and losses pursuant to Art. 467 and 468 CRR	– 47	Art. 467, 468 CRR		
of which: unrealised gains	0			
of which: unrealised losses from government bonds	8			
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	Art. 481 CRR		
of which: Other deductions from Common Equity Tier 1 capital	0	Art. 481 CRR		
Qualifying AT1 deductions that exceed the AT 1 capital of the institution (negative amount)	0	Art. 36 (1) (j) CRR		
Total regulatory adjustments to Common Equity Tier 1 (CET1)	– 410			
Common Equity Tier 1 (CET1) capital	8 319			

	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 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	0	Art. 51, 52 CRR		
of which: classified as equity under applicable accounting standards	N/A			
of which: classified as liabilities under applicable accounting standards	N/A			
Amount of qualifying items referred to in Art. 484 (4) CRR and the related share premium accounts subject to phase out from AT1	451	Art. 486 (3) CRR		
Public sector capital injections grandfathered until 1 January 2018	N/A	Art. 483 (3) CRR		
Qualifying Tier 1 capital included in consolidated AT 1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	Art. 85, 86, 480 CRR	0	
of which: instruments issued by subsidiaries subject to phase out	N/A	Art. 486 (3) CRR		
Additional Tier 1 capital (AT1) before regulatory adjustments	451			
Additional Tier 1 (AT1) capital before regulatory adjustments				
Direct and indirect holdings by an institution of own AT 1 instruments (negative amount)	0	Art. 52 (1) (b), 56 (a), 57, 475 (2) CRR	0	
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	Art. 56 (b), 58, 475 (3) CRR	0	
Direct and indirect holdings of the AT 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold net of eligible short positions) (negative amount)	0	Art.56 (c), 59, 60, 79, 475 (4) CRR	0	
Direct and indirect holdings of the AT 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	0	Art. 56 (d), 59, 79, 475 (4) CRR	0	
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i. e. CRR residual 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
Residual amounts deducted from Additional Tier 1 capital with regard to deductions from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	– 331	Art. 472, 472 paras. 3a, 4, 6, 8(a), 9, 10a and 11a CRR		
of which: Intangibles	– 85			
of which: shortfall of provisions to expected losses	– 246			
Residual amounts deducted from Additional Tier 1 capital with regard to deductions from Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013.	0	Art. 477, 477 paras. 3 and 4a CRR		
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	Art. 467, 468, 481 CRR		
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	Art. 56 (e) CRR		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	– 331			
Additional Tier 1 (AT1) capital	120			
Tier 1 capital (T1 = CET1 + AT1)	8 439			
Tier 2 capital (T2): Instruments and reserves				
Capital instruments and the related share premium accounts	2 616	Art. 62, 63 CRR		12
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	Art. 486 (4) CRR		
Public sector capital injections grandfathered until 1 January 2018	N/A	Art. 483 (4) CRR		
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	270	Art. 87, 88, 480 CRR	0	
of which: instruments issued by subsidiaries subject to phase out	0	Art. 486 (4) CRR		
Credit risk adjustments	0	Art. 62 (c) and (d) CRR		
Tier 2 capital (T2) before regulatory adjustments	2 886			
Tier 2 (T2) capital: regulatory adjustments				
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	– 25	Art. 63 (b) (i), 66 (a), 67, 477 (2) 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
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	Art. 66 (b), 68, 477 (3) CRR	0	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	Art. 66 (c), 69, 70, 79, 477 (4) 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 and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	Art. 66 (d), 69, 79, 477 (4) CRR	0	
Regulatory adjustments applied to Tier 2 capital subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i. e. CRR residual amounts)				
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	– 246	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) und (11) (a) CRR		
of which: shortfall of provisions to expected losses	– 246			
Residual amounts deductied from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	0	Art. 475, 475 (2) (a), (3), (4) (a) CRR		
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	– 408	Art. 467, 468, 481 CRR		
of which: adjustments due to grandfathering provisions	– 408			
Total regulatory adjustments to Tier 2 (T2) capital	– 679			
Tier 2 (T2) capital	2 207			
Total capital (TC = T1 + T2)	10 647			

	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 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 apply (i.e. CRR resisual 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) CRR		
of which: items not deducted from AT 1 items (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 475, 475 (2) (b), (2) (c) and (4) (b) CRR		
of which: items not deducted from the Tier 2 items (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 477, 477 (2) (b), (2) (c), (4) (b) CRR		
Total risk-weighted assets	63 675			
of which: credit risk	54 396			
of which: credit-risk-related valuation adjustment (CVA)	907			
of which: market-price risk	3 134			
of which: operational risk	5 238			
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	13.1	Art. 92 (2) (a), 465 CRR		
Tier 1 (as a percentage of risk exposure amount)	13.3	Art. 92 (2) (b), 465 CRR		
Total capital (as a percentage of risk exposure amount)	16.7	Art. 92 (2) (c) CRR		
Institution specific buffer requirement (CET 1 requirement in accordance with Art. 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	4.5	Art. 128, 129, 130 CRD IV		
of which: capital conservation buffer requirement	0			
of which: countercyclical buffer requirement	N/A			
of which: systemic risk buffer requirement	0			
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0	Art. 131 CRD IV		
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.6	Art. 128 CRD IV		

(in € million)	Capital based on EU Regulation No. 575/2013 (CRR)	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 below the thresholds for deduction (before risk-weighting)				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	365	Art. 36 (1) (h), 45, 46, 472 (10) , 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) CRR		9
Direct and indirect holdings by the institution in of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions)	256	Art. 36 (1) (i), 45, 48, 470, 472 (11) CRR		10, 11
Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Art. 38 (3) are met)	691	Art. 36 (1) (c), 38, 48 470, 472 (5) CRR		
Applicable caps on the inclusion of provisions in Tier 2 capital				
Credit-risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	0	Art. 62 CRR		
Cap on inclusion of credit risk adjustments in T2 under standardized approach	71	Art. 62 CRR		
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	Art. 62 CRR		
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	281	Art. 62 CRR		
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
Current cap on CET 1 instruments subject to phase out arrangements	34	Art. 484 (3), 486 (2), (5) CRR		
Amount excluded from CET 1 due to cap (excess over cap after redemptions and maturities)	– 14	Art. 484 (3), 486 (2), (5) CRR		
Current cap on AT 1 instruments subject to phase-out arrangements	620	Art. 484 (4), 486 (3), (5) CRR		
Amount excluded from AT 1 due to cap (excess over cap after redemptions and maturities)	0	Art. 484 (4), 486 (3), (5) CRR		
Current cap on T2 instruments subject to phase out arrangements	0	Art. 484 (5), 486 (4), (5) CRR		
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	Art. 484 (5), 486 (4), (5) 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 letter 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//
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 article 438 and article 445 of the CRR for the NORD/LB Group, broken down by significant risk types and the methods employed. The total requirements due to credit risks reduced compared to the previous year mainly as a result of the top-up of the NORTHVEST transaction. The requirements due to other risk types have on balance increased marginally, however. On the whole the requirements have fallen since the last reporting date.

Table 6: Main Features of the capital instruments

Credit risk (in € million)	Capital requirements 31 Dec. 2015	Capital requirements 31 Dec. 2014
1 Credit risks		
1.1 Credit risk – standard approach		
Central governments or central banks	17	21
Regional governments or local authorities	18	27
Public-sector entities	21	5
Multilateral development banks	–	–
International organisations	–	–
Institutions	7	13
Corporates	221	295
Retail	18	23
Secured by mortgages of immovable properties	14	14
Past-due risk positions	4	6
Very high-risk connected risk positions	4	5
Covered bonds	3	1
Claims on institutions and corporates with a short-term credit assessment	–	–
Collective investment undertakings (CIU)	–	–
Other positions	8	11
Total for credit risk – standard approach	**335**	**420**
1.2 IRB approaches		
Central governments or central banks	177	206
Institutions	281	435
Corporates – SME	301	372
Corporates – specialized lending	1 695	1 726
Corporates – other	1 077	1 205
Retail – secured by real estate SME	–	–
Retail – secured by real estate non-SME	12	15
Retail – qualifiying, revolving	1	1
Retail – other, SME	–	–
Retail – other, non-SME	23	28
Other non-loan-dependent assets	26	66
Total for IRB approaches	**3 594**	**4 053**
1.3 Securitisations		
Securitisations under the CRSA approach	–	–
of which: re-securitisations	–	–
Securitisations under the IRB approach	279	256
of which: re-securitisations	–	–
Total securitisations	**279**	**256**

Credit risk (in € million)	Capital requirements 31 Dec. 2015	Capital requirements 31 Dec. 2014
1.4 Investments		
Investments under the IRB approach	20	18
of which: internal model approach	–	–
of which: PD/LGD approach	–	–
of which: simple risk-weighting approach	20	18
of which: exchange-traded investments	–	–
of which: investments which are not exchange-traded but belong to a diversified investment portfolio	–	–
of which: other investments	20	18
Investments under the CRSA approach	117	47
of which: investment values in the case of continued use of the old methodology/grandfathering	63	35
Total investments	**137**	**65**
1.5 Risk-position amount for contributions to the default fund of a central counterparty	**6**	**11**
Total credit risks	**4 352**	**4 805**
2. Clearing risks		
Clearing risks in the banking book	–	–
Clearing risks in the trading book	–	–
Total clearing risks	**–**	**–**
3. Market-price risks		
Standard approach	76	71
of which: Interest-rate risks	69	61
of which: general and specific interest-rate risk (net interest position)	69	61
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	6	10
of which: risks from commodity positions	–	–
Internal model approach	175	159
Total market-price risks	**251**	**230**
4. Operational risks		
Basic-indicator approach	–	–
Standard approach	419	343
Advanced measurement approach	–	–
Total operational risks	**419**	**343**
5. Total amount of risk positions for credit value adjustment	**73**	**99**
6. Total amount of risk positions relating to large loans in the trading book	**–**	**–**
7. Other		
Other exposures	–	–
Total amount of capital requirements	**5 094**	**5 477**

4.3.2 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 (11 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, 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 volume 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 2017.

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 7 to 14 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 averages for the financial year 2015 were calculated using the respective end-of-quarter figures as at 31 March, 30 June, 30 September and 31 December.

Table 7: Total amount of risk positions in CRSA

(in € million)	Total amount of risk positions as at 31 Dec. 2015	Average total amount of risk positions in 2015	Total amount of risk positions as at 31 Dec. 2014	Average total amount of risk positions in 2014
Central governments or central banks	4 469	4 370	5 001	5 875
Regional governments or local authorities	31 840	33 192	35 849	35 228
Public-sector entities	11 291	11 077	10 400	11 428
Multilateral development banks	805	815	886	876
International organisations	2 637	1 541	901	678
Institutions	15 372	22 913	22 368	23 499
Corporates	5 245	7 880	11 047	13 156
Corporates – SME	102		118	152
Retail	541	584	631	658
Retail – SME	0	0	–	–
Secured by mortgages of immovable properties	502	533	441	444
Secured by mortgages of immovable properties – SME	77	88	52	52
Past-due positions	151	141	175	261
Very high-risk connected exposures	34	43	43	60
Covered bonds	217	140	96	106
Claims on institutions and corporates with a short-term credit assessment	0	0	–	–
Collective investment undertakings (CIU)	0	0	–	–
Other risk positions	80	86	92	93
Total[1]	**73 363**	**83 529**	**88 101**	**92 565**

[1] As disclosures concerning investments and securitisations are no longer required for 2015, these were deducted from the previous year's figures.

Table 8: Total amount of risk positions in IRBA

(in € million)	Total amount of risk positions as at 31 Dec. 2015	Average total amount of risk positions in 2015	Total amount of risk positions as at 31 Dec. 2014	Average total amount of risk positions in 2014
Central governments or central banks	5 677	5 776	7 588	5 996
Institutions	19 199	23 416	26 207	31 631
Corporates – SME	12 314	12 721	12 724	12 376
Corporates – SME supporting factor	860	909	954	938
Corporates – specialized lending	34 370	35 851	34 520	32 548
Corporates – other	36 773	37 837	40 112	38 113
Retail – secured by real estate SME	0	0	–	–
Retail – secured by real estate SME supporting factor	0	0	–	–
Retail – secured by real estate non-SME	1 011	998	929	866
Retail – qualifiying, revolving	514	465	453	453
Retail – other, SME	0	0	–	–
Retail – other, SME supporting factor	0	0	–	–
Retail – other, non-SME	1 143	1 232	1 369	1 482
Other non-loan-dependent assets	329	675	1 961	1 747
Total[1)]	**112 189**	**119 880**	**126 817**	**126 150**

[1)] As disclosures concerning investments and securitisations are no longer required for 2015, these were deducted from the previous year's figures.

Table 9: 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	–	–	–	–	–	–	563	3906	4469
Regional governments or local authorities	–	–	–	–	–	–	–	31840	31 840
Public-sector entities	–	40	2	–	–	28	8 678	2543	11 291
Multilateral development banks	–	–	–	–	–	–	805	–	805
International organisations	–	–	–	–	–	–	1 949	689	2 637
Institutions	–	–	–	–	–	–	15 368	4	15 372
Corporates	173	29	34	150	33	744	2 462	1621	5245
Corporates – SME	6	3	19	9	22	10	4	30	102
Retail	5	0	6	7	6	3	4	510	541
Retail – SME	–	–	–	–	–	–	–	0	0
Secured by mortgages of immovable properties	6	1	14	12	9	5	6	450	502
Secured by mortgages of immovable properties – SME	3	1	11	7	5	2	3	45	77
Past-due risk positions	10	0	17	4	2	7	20	89	151
Very high-risk connected risk positions	–	–	–	0	–	–	–	34	34
Covered bonds	–	–	–	–	–	–	192	26	217
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–
Other risk positions	–	–	–	–	–	–	77	3	80
Total	**202**	**74**	**102**	**188**	**77**	**800**	**30 131**	**41 790**	**73 363**

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

(in € million)	Manu-facturing	Energy, water and mining	Construc-tion	Trade, mainte-nance and repairs	Agricul-ture, for-estry and fishing	Transport and com-munica-tions	Financial institu-tions / insurance compa-nies	Service indus-tries / other	Total
Central governments or central banks	–	19	–	214	–	–	1 331	4 114	5 677
Institutions	–	129	–	–	–	66	17 719	1 286	19 199
Corporates – SME	381	339	300	348	268	403	2 117	8 159	12 314
Corporates – SME supporting factor	191	52	78	139	91	62	21	225	860
Corporates – specialized lending	116	9 690	507	0	7	18 961	329	4 761	34 370
Corporates – other	6 671	4 054	1 216	3 371	650	3 892	5 935	10 984	36 773
Retail – secured by real estate SME	–	–	–	–	–	–	–	–	–
Retail – secured by real estate SME supporting factor	–	–	–	–	–	–	–	–	–
Retail – secured by real estate non-SME	–	–	–	–	–	–	–	1 011	1 011
Retail – qualifiying, revolving	–	–	–	–	–	–	–	514	514
Retail – other, SME	–	–	–	–	–	–	–	–	–
Retail – other, SME supporting factor	–	–	–	–	–	–	–	–	–
Retail – other, non-SME	–	–	–	–	–	–	–	1 143	1 143
Other non-loan-dependent assets	–	–	–	–	–	0	1	328	329
Total	**7 358**	**14 282**	**2 101**	**4 072**	**1 016**	**23 383**	**27 452**	**32 524**	**112 189**

Table 11: 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	1 767	2 490	212	–	0	–	–	–	4 469
Regional governments or local authorities	30 623	744	20	291	–	–	163	–	31 840
Public-sector entities	10 386	–	–	904	–	–	–	–	11 291
Multilateral development banks	–	–	–	–	–	–	–	805	805
International organisations	–	–	–	–	–	–	–	2 637	2 637
Institutions	15 357	5	8	1	–	1	1	–	15 372
Corporates	3 198	738	635	374	86	10	133	71	5 245
Corporates – SME	95	7	–	–	–	–	–	–	102
Retail	539	1	1	0	0	0	0	–	541
Retail – SME	0	–	–	–	–	–	–	–	0
Secured by mortgages of immovable properties	494	1	5	1	0	0	0	–	502
Secured by mortgages of immovable properties – SME	77	0	–	–	–	–	–	–	77
Past-due risk positions	138	4	9	–	–	0	0	–	151
Very high-risk connected risk positions	31	–	3	–	–	–	–	–	34
Covered bonds	26	192	–	–	–	–	–	–	217
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–
Other risk positions	3	77	–	–	–	–	–	–	80
Total	**62 734**	**4 257**	**893**	**1 571**	**86**	**11**	**297**	**3 514**	**73 363**

Table 12: 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	2 713	1 035	408	611	76	4	68	762	5 677
Institutions	6 280	6 947	3 566	1 580	15	2	808	–	19 199
Corporates – SME	8 509	2 612	1 017	176	0	0	1	–	12 314
Corporates – SME supporting factor	858	1	0	0	0	0	0	–	860
Corporates – specialized lending	16 655	5 434	3 411	3 476	1 220	1 036	3 138	–	34 370
Corporates – other	26 072	4 246	2 665	1 515	556	57	1 663	–	36 773
Retail – secured by real estate SME	–	–	–	–	–	–	–	–	–
Retail – secured by real estate SME supporting factor	–	–	–	–	–	–	–	–	–
Retail – secured by real estate non-SME	1 011	0	–	–	–	–	–	–	1 011
Retail – qualifiying, revolving	514	0	0	0	0	0	0	–	514
Retail – other, SME	–	–	–	–	–	–	–	–	–
Retail – other, SME supporting factor	–	–	–	–	–	–	–	–	–
Retail – other, non-SME	1 143	0	0	–	0	0	0	–	1 143
Other non-loan-dependent assets	198	0	–	–	–	–	131	–	329
Total	**63 952**	**20 275**	**11 066**	**7 359**	**1 867**	**1 099**	**5 809**	**762**	**112 189**

Table 13: 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	224	988	3 257	4 469
Regional governments or local authorities	3 592	7 483	20 765	31 840
Public-sector entities	1 463	3 545	6 282	11 291
Multilateral development banks	36	348	421	805
International organisations	–	157	2 480	2 637
Institutions	2 021	1 317	12 034	15 372
Corporates	805	1 628	2 812	5 245
Corporates – SME	14	32	56	102
Retail	6	21	515	541
Retail – SME	–	0	–	0
Secured by mortgages of immovable properties	6	43	453	502
Secured by mortgages of immovable properties – SME	4	21	51	77
Past-due risk positions	1	13	136	151
Very high-risk connected risk positions	3	30	1	34
Covered bonds	26	–	191	217
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–
Other risk positions	77	–	3	80
Total	**8 278**	**15 626**	**49 459**	**73 363**

Table 14: 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	825	1 673	3 179	5 677
Institutions	6 384	4 996	7 819	19 199
Corporates – SME	2 039	3 994	6 282	12 314
Corporates – SME supporting factor	37	75	748	860
Corporates – specialized lending	2 980	6 682	24 708	34 370
Corporates – other	5 578	10 916	20 279	36 773
Retail – secured by real estate SME	–	–	–	–
Retail – secured by real estate SME supporting factor	–	–	–	–
Retail – secured by real estate non-SME	4	38	968	1 011
Retail – qualifiying, revolving	–	–	514	514
Retail – other, SME	–	–	–	–
Retail – other, SME supporting factor	–	–	–	–
Retail – other, non-SME	9	111	1 022	1 143
Other non-loan-dependent assets	29	–	300	329
Total	**17 885**	**28 484**	**65 819**	**112 189**

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.

To cover impairments which have occurred but have not yet been identified, a general loan loss provision is made. 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 information on the accounting policies for risk provisioning in accordance with IFRSs the notes to the consolidated financial statements (Note 8) 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 letters g and h of the CRR, tables 15 to 17 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.

Table 17 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 15: Impaired and past-due risk positions by industry

(in € million)	Impaired risk positions (net)	SLLP	GLLP	Provisions	Net allocation / reversal of SLLP / provisions	Direct write-downs	Additions to written-down loans and advances	Past-due risk positions (without provisioning requirement)
Manufacturing	70	78		6	– 51			98
Energy, water and mining	181	68		24	43			224
Construction	23	37		4	– 3			32
Trade, maintenance and repairs	16	11		0	0			44
Agriculture, forestry and fishing	24	10		1	6			24
Transport and communications	4 042	2 361		11	741			792
Financial institutions and insurance companies	77	22		0	– 83			1 532
Service industries / other	586	362		26	– 105			703
Total	**5 018**	**2 950**	**577**	**73**	**549**	**42**	**9**	**3 449**

Table 16: Impaired and past-due risk positions by region

(in € million)	Impaired risk positions (net)	SLLP	GLLP	Provisions	Past-due risk positions (without provisioning requirement)
Germany	3 700	2 250		42	2 541
Other Euro countries	748	291		10	636
Rest of Europe	66	41		20	202
North America	0	0		0	10
Central and South America	13	13		0	0
Middle East / Africa	183	211		0	0
Asia / Australia	307	145		1	60
Other	0	0		0	0
Total	**5 018**	**2 950**	**481**	**73**	**3 449**

Table 17: 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
SLLP	2 475	1 453	– 581	– 452	57	2 952
Provisions	94	17	– 37	– 2	1	73
GLLP	574	144	– 240	0	2	481

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 18 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.

With regard to tables 18 and 19, 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 18: 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	50	7 128	36	0.02	1	6.68	476
Institutions	1 212	16 983	368	0.08	13	18.11	3 076
Corporates	8 447	42 675	4 166	0.14	62	32.93	14 054
Investments	–	–	–	–	–		–
Total	**9 709**	**66 786**	**4 570**	**0.11**	**76**	**0.26**	**17 606**
PD Class 2: PD 0.5 % to < 5 %							
Central governments or central banks	0	9	0	2.93	0	135.04	12
Institutions	48	488	1	1.10	5	71.87	351
Corporates	3 872	14 714	1 948	1.49	220	97.18	14 299
Investments	–	–	–	–	–	–	–
Total	**3 919**	**15 211**	**1 950**	**1.48**	**225**	**0.96**	**14 661**
PD Class 3: PD 5% to < 100 %							
Central governments or central banks	0	0	0	20.00	0	2 000.00	1
Institutions	46	42	35	6.68	3	204.73	86
Corporates	188	4 622	91	12.98	600	209.92	9 702
Investments	–	–	–	–	–	–	–
Total	**234**	**4 664**	**126**	**12.92**	**603**	**2.10**	**9 789**
PD Class 4: Default – PD 100 %							
Central governments or central banks	0	81	0	100.00	81	10 000.00	8 058
Institutions	19	8	0	100.00	8	0.00	0
Corporates	134	8 147	77	100.00	8 147	0.00	0
Investments	–	–	–	–	–	–	–
Total	**153**	**8 236**	**77**	**100.00**	**8 236**	**0.98**	**8 058**
PD Class 5: Total (excluding default)							
Central governments or central banks	50	7 137	36	0.02	2	6.85	489
Institutions	1 295	17 514	372	0.12	21	20.05	3 512
Corporates	12 410	62 011	6 714	1.42	881	61.37	38 055
Investments	–	–	–	–	–	–	–
Total	**13 755**	**86 662**	**7 122**	**1.04**	**904**	**0.49**	**42 057**

Table 19: Total credit volume by geographical location of the risk position

Geographical location – FIRB total	Exposure value as at 31 Dec. 2015 (in € million)	Ø PD 2015 (in %)	Exposure value as at 31 Dec. 2014 (in € million)	Ø PD 2014 (in %)
Germany	59 969	0.02	80 886	10.65
Great Britain and Northern Ireland	5 892	0.13	3 240	4.19
United States	5 170	0.01	1 940	0.67
Singapore	1 175	0.01	3 674	0.51
China	401	0.04	186	0.21
Luxembourg	2 431	0.02	15 458	0.24
Cayman Islands	659	0.02	634	0.65
Total	**71 031**	**0.03**	**106 017**	**8.32**

Geographical location – central governments or central banks	Exposure value as at 31 Dec. 2015 (in € million)	Ø PD 2015 (in %)	Exposure value as at 31 Dec. 2014 (in € million)	Ø PD 2014 (in %)
Germany	2 713	0.05	4 883	0.02
Great Britain and Northern Ireland	47	–	0	0.07
United States	477	–	–	–
Singapore	13	–	410	0.07
China	14	–	7	0.05
Luxembourg	55	0.01	3 914	0.04
Cayman Islands	76	0.01	1	–
Total	**3 237**	**0.04**	**9 215**	**0.03**

Geographical location – institutions	Exposure value as at 31 Dec. 2015 (in € million)	Ø PD 2015 (in %)	Exposure value as at 31 Dec. 2014 (in € million)	Ø PD 2014 (in %)
Germany	6 272	0.10	14 734	0.21
Great Britain and Northern Ireland	1 461	0.27	1 043	0.16
United States	756	0.05	20	0.06
Singapore	3	1.98	1 212	0.18
China	293	0.03	125	0.11
Luxembourg	623	0.03	4 705	0.13
Cayman Islands	14	0.37	6	0.04
Total	**8 490**	**0.13**	**21 844**	**0.19**

Geographical location – corporates	Exposure value as at 31 Dec. 2015 (in € million)	Ø PD 2015 (in %)	Exposure value as at 31 Dec. 2014 (in € million)	Ø PD 2014 (in %)
Germany	50 985	0.10	61 269	14.01
Great Britain and Northern Ireland	4 384	0.27	2 196	6.11
United States	3 937	0.05	1 920	0.68
Singapore	1 159	1.98	2 052	0.79
China	94	0.03	54	0.46
Luxembourg	1 753	0.03	6 840	0.43
Cayman Islands	569	0.37	627	0.66
Total	**59 305**	**0.11**	**74 958**	**11.71**

Table 20 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 20: 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: qualified, revolving	419	406	87.06	466	39.37	165	0.06	0	1.48	6
Retail: residential real-estate loans	897	3	86.03	3	29.22	262	0.13	1	8.62	77
Retail: other	930	61	84.95	72	52.35	487	0.14	1	16.60	154
Total	**2 245**	**469**	**86.78**	**541**	**40.69**	**914**	**0.12**	**3**	**10.59**	**238**
PD Class 2: PD 0.5 % to < 5 %										
Retail: qualified, revolving	30	19	86.78	22	39.44	12	1.43	0	19.75	6
Retail: residential real-estate loans	93	0	84.41	0	30.89	29	1.60	1	50.48	47
Retail: other	157	8	87.92	9	52.95	83	1.47	2	58.38	92
Total	**279**	**27**	**87.10**	**31**	**44.20**	**123**	**1.51**	**4**	**51.65**	**144**
PD Class 3: PD 5 % to < 100 %										
Retail: qualified, revolving	2	1	89.27	1	38.81	1	12.82	0	77.85	2
Retail: residential real-estate loans	13	0		0	30.53	4	18.31	2	157.01	20
Retail: other	30	1	89.54	1	51.26	15	17.29	5	106.12	32
Total	**45**	**2**	**89.41**	**2**	**44.71**	**20**	**17.39**	**8**	**119.64**	**54**
PD Class 4: Default – PD 100 %										
Retail: qualified, revolving	0	0	100.00	0	5.99	0	100.00	0	74.87	0
Retail: residential real-estate loans	8	0	100.00	0	9.00	1	100.00	8	112.50	9
Retail: other	14	0	100.00	0	7.49	1	100.00	14	93.68	13
Total	**22**	**0**	**100.00**	**0**	**8.01**	**2**	**100.00**	**22**	**100.13**	**22**
PD Class 5: Total (excluding default)										
Retail: qualified, revolving	450	425	87.05	488	39.37	177	0.20	1	3.02	14
Retail: residential real-estate loans	1 003	3	85.94	3	29.39	295	0.50	5	14.41	144
Retail: other	1 117	70	85.33	82	52.41	585	0.79	9	24.88	278
Total	**2 570**	**498**	**86.80**	**573**	**41.14**	**1 057**	**0.58**	**15**	**16.96**	**436**

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

Geographical location – AIRB total	Exposure value 2015 (in € million)	Ø LGD 2015 (in %)	Ø PD 2015 (in %)	Exposure value 2014 (in € million)	Ø LGD 2014 (in %)	Ø PD 2014 (in %)
Germany	2 667	7.60	1.39	2 669	39.85	1.65
Great Britain and Northern Ireland	0	36.06	0.21	0	37.12	0.04
Total	**2 667**	**7.60**	**1.39**	**2 669**	**39.85**	**1.65**

Geographical location – Retail, qualified revolving	Exposure value 2015 (in € million)	Ø LGD 2015 (in %)	Ø PD 2015 (in %)	Exposure value 2014 (in € million)	Ø LGD 2014 (in %)	Ø PD 2014 (in %)
Germany	514	39.36	0.24	391	40.82	0.28
Great Britain and Northern Ireland	0	36.06	0.21	–	–	–
Total	**514**	**39.36**	**0.24**	**391**	**40.82**	**0.28**

Geographical location – Retail, private housing construction	Exposure value 2015 (in € million)	Ø LGD 2015 (in %)	Ø PD 2015 (in %)	Exposure value 2014 (in € million)	Ø LGD 2014 (in %)	Ø PD 2014 (in %)
Germany	1 011	0.03	1.25	929	27.96	1.78
Total	**1 011**	**0.03**	**1.25**	**929**	**27.96**	**1.78**

Geographic location – corporates	Exposure value 2015 (in € million)	Ø LGD 2015 (in %)	Ø PD 2015 (in %)	Exposure value 2014 (in € million)	Ø LGD 2014 (in %)	Ø PD 2014 (in %)
Germany	1 143	0.02	2.02	1 349	47.76	1.96
Great Britain and Northern Ireland	–	–	–	0	37.12	0.04
Total	**1 143**	**0.02**	**2.02**	**1 349**	**47.76**	**1.96**

Table 22 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 fallen by € 20 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 22: Expected and actual losses in lending business

Exposure class	Losses 1 Jan. 2015 – 31 Dec. 2015		Losses 1 Jan. 2014 – 31 Dec. 2014		Losses 1 Jan. 2013 – 31 Dec. 2013	
(in € million)	Expected loss	Actual loss	Expected loss	Actual loss	Expected loss	Actual loss
Central governments or central banks	37	0	1	0	1	0
Institutions	10	0	12	0	23	0
Investments	0	–	0	–	0	–
Retail	18	0	20	1	22	1
of which: qualified, revolving	0	0	0	0	1	0
of which: residential real-estate loans	4	0	5	0	18	1
of which: other	13	0	14	1	3	0
Corporates	3 789	240	3 722	258	3 288	320
Total	**3 871**	**240**	**3 754**	**260**	**3 333**	**322**

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

Exposure class (in € million)	Exposure values before credit risk mitigation / risk weights (in € million)														
	0 %	2 %	4 %	10 %	20 %	35 %	50 %	70 %	75 %	100 %	150 %	250 %	370 %	1250 %	Other
Central governments or central banks	3 987	–	–	–	234	–	198	–	–	50	–	–	–	–	–
Regional governments or local authorities	31 326	–	–	–	167	–	348	–	–	–	–	–	–	–	–
Public-sector entities	10 215	–	–	–	922	–	87	–	–	67	–	–	–	–	–
Multilateral development banks	805	–	–	–	–	–	–	–	–	–	–	–	–	–	–
International organisations	2 637	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	14 059	919	–	–	388	–	2	–	–	4	–	–	–	–	–
Corporates	–	439	–	–	132	–	0	–	–	4 674	0	–	–	–	–
Retail	–	–	–	–	–	–	–	–	541	–	–	–	–	–	–
Secured by mortgages of immovable properties	–	–	–	–	–	461	41	–	–	–	–	–	–	–	–
Past-due risk positions	–	–	–	–	–	–	–	–	–	113	38	–	–	–	–
Very high-risk connected exposures	–	–	–	–	–	–	–	–	–	–	34	–	–	–	–
Covered bonds	–	–	–	26	192	–	–	–	–	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	877	–	236	–	–	–
Other positions	1	–	–	–	–	–	–	–	–	71	–	6	–	2	–
Total	**63 030**	**1 358**	**–**	**26**	**2 034**	**461**	**676**	**–**	**541**	**6 436**	**73**	**243**	**–**	**2**	**–**

Table 24: Counterparty risk exposures after credit risk mitigation for portfolios in the CRSA on application of regulatory risk weights

Exposure classes (in € million)	Exposure values after credit risk mitigation / risk weights (in € million)														
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other
Central governments or central banks	5 153	–	–	–	234	–	234	–	–	50	–	–	–	–	–
Regional governments or local authorities	33 274	–	–	–	228	–	348	–	–	–	–	–	–	–	–
Public-sector entities	10 604	–	–	–	769	–	87	–	–	67	–	–	–	–	–
Multilateral development banks	925	–	–	–	–	–	–	–	–	–	–	–	–	–	–
International organisations	2 700	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Institutions	11 698	64	–	–	384	–	2	–	–	4	–	–	–	–	–
Corporates	–	72	–	–	132	–	0	–	–	2 762	0	–	–	–	–
Retail	–	–	–	–	–	–	–	–	294	–	–	–	–	–	–
Secured by mortgages of immovable properties	–	–	–	–	–	461	41	–	–	–	–	–	–	–	–
Past-due risk positions	–	–	–	–	–	–	–	–	–	19	17	–	–	–	–
Very high-risk connected exposures	–	–	–	–	–	–	–	–	–	–	34	–	–	–	–
Covered bonds	–	–	–	26	192	–	–	–	–	–	–	–	–	–	–
Claims on institutions and corporates with a short-term credit assessment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Collective investment undertakings (CIU)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	877	–	236	–	–	–
Other positions	1	–	–	–	–	–	–	–	–	71	–	6	–	2	–
Total	**64 355**	**137**	**–**	**26**	**1 939**	**461**	**712**	**–**	**294**	**3 849**	**51**	**243**	**–**	**2**	**–**

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 shown by quantifying the credit-risk potential in the credit-risk model. Risk concentrations are also limited by country and industry limits at portfolio level as well as by the Large Exposure Management model for borrower entities. The latter defines a loss-at-default limit for every rating on the basis of which a Group exposure for the categories corporates, financial institutes, special finance and foreign regional authorities is classified as being normal, as having risk concentration or having strong risk concentration. The exposure limits are based on the risk-bearing capacity of the NORD/LB Group.

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 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 25 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 25: 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	11 379			
Currency-based contracts	678			
Share / index-based contracts	19			
Credit derivatives	46			
Commodity-based contracts	35			
Other contracts	–			
Total	**12 157**	**8 313**	**919**	**2 925**

The counterparty credit risk to be allowed for in accordance with article 439 (f) of the CRR can be seen in Table 26. 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 26: Counterparty credit risk

(in € million)	Term method	Market valuation method	Standard method	Internal model
Counterparty risk position	–	6 416	–	–

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 27 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 27: Credit derivatives – purpose

Nominal value (in € million)	Use for own portfolio		Brokerage activety
	Protection buyer	Protection seller	
Credit default swaps	192	2 701	–
Total return swaps	–	348	–
Credit-linked note	–	–	–
Others	–	–	–
Total	**192**	**3 050**	**–**

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. They are therefore reviewed on a case-by-case basis as to whether the valuation appears to be justified based on the respective type of security and based on its legal and economic applicability in respect of the person of the borrower and the type of loan. If factors relevant to the assessment have changed, the assessment is adjusted accordingly.

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, monitoring is performed by international law firms.

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.

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 § 20 a (6) of the German Banking Act and article 208 (3) of the CRR. For the properties valued using the market fluctuation concept, the values are reviewed 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 to meet regulatory requirements.

The location of wind energy plants is decisive for their value. Before a plant is constructed, wind-potential 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 rating 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 € 861 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 28 and 29 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 letters 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 28: 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	–	–	–
Public-sector entities	3	–	152
Multilateral development banks	–	–	–
International organisations	–	–	–
Institutions	978	–	–
Covered bonds	–	–	–
Corporates	1 065	–	883
Retail	0	–	188
Secured by mortgages of immovable properties	–	449	–
Fund shares	–	–	–
Investments	–	–	–
Other positions	–	–	–
Past-due positions	14	2	2
Claims on institutions and corporates with a short-term credit assessment	–	–	–
Very high-risk connected exposures	–	–	–
Total	**2 061**	**450**	**1 224**

Table 29: 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	129	–	17
Institutions	5 329	4	939
Other non-loan-dependent assets	–	–	–
Retail	–	1 011	–
Investments	–	–	–
Corporates	1 027	16 502	5 252
Total	**6 486**	**17 516**	**6 208**

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 25 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). NORD/LB originated a new and topped up an existing securitisation transaction in 2015. As a sponsor, NORD/LB makes liquidity facilities available in order to improve the credit quality of the institute's own asset-backed commercial paper conduit programme Hannover Funding. NORD/LB also conducts securitisation activities as an arranger of structured transactions in the interest of customers.

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

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

As the originator, NORD/LB topped up its “Northvest” securitisation transaction for institutional investors by € 4.89 billion in 2015. At the time of the top-up, the transaction was based on a reference portfolio of around 8,400 high-quality loans with a total volume of some € 14.7 billion, which includes loans from the four asset classes of aircraft, renewable energies, commercial real estate and German ”Mittelstand” corporate loans. International institutional investors have acquired a mezzanine tranche of the top-up totalling € 178 million via an investment management company. NORD/LB benefited from a positive effect of up to 0.4 percentage points on the Common Equity Tier 1 capital ratio.

In the year under review Bremer Landesbank originated a synthetic securitisation for a credit portfolio with an initial volume of € 2.02 billion from the asset classes renewable energies, corporate customers, community real estate, commercial properties and ships. In order to hedge the credit risks that this entailed, a guarantee with an initial volume of € 106 million was concluded with a private investor with effect of December 16, 2015. The term of the guarantee is for 12 years.

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

NORD/LB uses the following IRB approaches for ascertaining risk-weighted exposure values:

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 supervisory formula approach (SFA) is used for exposures without an external rating for which NORD/LB has sufficient up-to-date information on the composition of the securitised portfolio and is able to determine capital requirements prior to the securitisation transaction.

Unrated securitisation exposures 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.

The look-through approach applies for investment funds. With the look-through approach the external credit ratings of the securitisation exposures in the investment fund are considered.

NORD/LB uses a total of five internal assessment approaches which take into account the regulatory requirements to assess certain securitisation exposures. 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. 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 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 again bases the stress factors it uses on Standard & Poor's, 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 1.50 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.

The individual banks in NORD/LB Group use the IRB approach to calculate the capital adequacy requirements and to measure securitisation exposures, regardless of the role played by an institute in a securitisation exposure. The NORD/LB banks use the SFA for their own originator transactions. For external unrated sponsor exposures, NORD/LB Luxembourg and NORD/LB use the IAA. At NORD/LB, in addition the RBA is used for sponsor exposures with an external rating and the look-through method for fund shares. The NORD/LB banks use the RBA for externally-rated investor exposures.

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 is 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 2015 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 has to date only been performed by external processors. Since June 2015 NORD/LB has also played a marketing role in the issue of euro commercial papers (role as a dealer in addition to 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 7) 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 does not have any securitisation exposures in connection with revolving counterparty risk positions; therefore none are reported in accordance with art. 449 n) iv) of the CRR.

Table 30 shows in accordance with article 449 i) of the CRR the securitisation activities of the NORD/LB Group as the originator and as the 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 the "Northvest" originator transaction and due to the new "Hanseatic Key" securitisation originated by Bremer Landesbank. The total amount of sponsor activities has fallen sharply due to the transfer of securities with external rating to the NORD/LB balance sheet and repayments.

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

Table 30: 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	–	139	139	–
Receivables from wholly or partly commercial real estate loans	–	4 771	4 771	–
Receivables from credit card business	–	–	–	46
Receivables from leasing business	–	–	–	179
Receivables from corporates and SME assigned to the exposure class corporates	–	12 243	12 243	108
Receivables from consumer loans	–	37	37	125
Trade receivables	–	–	–	853
Other receivables	–	50	50	–
Total	**–**	**17 240**	**17 240**	**1 310**

Table 31 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 € 11 million. Compared to the previous year the unweighted exposure values of the impaired/past-due securitised receivables from commercial real-estate loans have increased slightly.

Table 31: Impaired/past-due securitised receivables and losses of the originator

Receivables type (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	4
Receivables from credit card business	–	–
Receivables from leasing business	–	–
Receivables from corporates and SME assigned to the exposure class corporates	23	12
Receivables from consumer loans	0	–
Trade receivables	–	–
Other receivables	–	–
Total	**55**	**16**

In accordance with the requirements of articles 449 n) ii) of the CRR and 449 o) i) of the CRR, tables 32 and 33 show the securitisation activities of the significant companies of the NORD/LB Group as an originator, investor and sponsor. Compared to the previous reporting date the unweighted exposure values and equity requirements have increased due to a new originator transaction and the topping up of the “Northvest” transaction. Unlike in the previous year, exposures from synthetic securitisations are reported under the receivable “off-balance-sheet exposures from synthetic transactions”.

Table 33 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 resulting capital adequacy requirement has risen slightly, but this is due to the increase in unweighted exposure values. 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. The unweighted exposure value of the risk positions with an external rating has fallen significantly due to sales and repayments.

Table 32: Total retained or purchased securitisation exposures

Receivables type (in € million)	Unweighted exposure values – banking book	
	Credit risk standard approach	IRB approach
Receivables	–	1 039
from housing construction loans	–	260
wholly or partly from commercial real estate loans	–	51
from credit card business	–	–
from leasing business	–	–
from corporates and SME assigned to the exposure class corporates	–	713
from consumer loans	–	–
from trade receivables	–	–
other exposures	–	15
Re-securitisation	–	–
Measures to improve the credit quality	–	–
Other on-balance-sheet exposures	–	–
Total on-balance-sheet exposures	**–**	**1 039**
Liquidity facilities	–	1 310
Derivatives	–	–
Off-balance-sheet exposures from synthetic transactions	–	17 079
Other off-balance-sheet exposures	–	–
Total off-balance-sheet exposures	**–**	**18 389**
Total	**–**	**19 428**

Table 33: 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	1	0	–	–	1	0
≤ 10 %	–	–	–	–	–	–
> 10 % ≤ 20 %	–	–	–	–	–	–
> 20 % ≤ 50 %	1	0	–	–	1	0
> 50 % ≤ 100 %	–	–	–	–	–	–
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	–	–	–	–	–	–
Rating-based approach	**1 495**	**25**	**–**	**–**	**1 495**	**25**
≤ 10 %	566	4	–	–	566	4
> 10 % ≤ 20 %	771	10	–	–	771	10
> 20 % ≤ 50 %	103	3	–	–	103	3
> 50 % ≤ 100 %	50	3	–	–	50	3
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	5	5	–	–	5	5
Regulatory formula approach	**17 079**	**240**	**–**	**–**	**17 079**	**240**
≤ 10 %	16 934	95	–	–	16 934	95
> 10 % ≤ 20 %	–	–	–	–	–	–
> 20 % ≤ 50 %			–	–		
> 50 % ≤ 100 %	–	–	–	–	–	–
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	145	145	–	–	145	145
Internal assessment approach	**853**	**14**	**–**	**–**	**853**	**14**
≤ 10 %	290	2	–	–	290	2
> 10 % ≤ 20 %	234	2	–	–	234	2
> 20 % ≤ 50 %	328	10	–	–	328	10
> 50 % ≤ 100 %	–	–	–	–	–	–
> 100 % ≤ 250 %	–	–	–	–	–	–
> 250 % ≤ 650 %	–	–	–	–	–	–
> 650 % ≤ 1250 %	–	–	–	–	–	–
Total	**19 428**	**279**	**–**	**–**	**19 428**	**279**

In Table 34 below, the unweighted exposure values of the securitisation exposures are broken down by type of receivables in accordance with the requirements of article 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 34: Securitisation exposures with a risk weight of 1,250 per cent

Receivables type (in € million)	Securitisation exposures to be deducted or considered with a securitisation risk weight of 1,250 per cent when calculating the modified available equity according to KWG § 10 para. 1d (German Banking Act) Unweighted exposure values
Receivables	150
from housing construction loans	5
from wholly or partly from commercial real estate loans	17
from credit card business	–
from leasing business	–
from corporates and SME assigned to the exposure class corporates	128
from consumer loans	–
from trade receivables	–
other receivables	–
Re-securitisation	–
Measures to improve the credit quality	–
Other on-balance-sheet exposures	–
Total	**150**

Table 35 shows in accordance with the requirements of article 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 the "Northvest" transaction and Bremer Landesbank's new "Hanseatic Key" 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 35: Securitisation transactions in the reporting period

Receivables type	Banking book			
	Amount of effectively securitised receivables			Profits/losses from the transactions
(in € million)	Traditional securitisations	Synthetic securitisations	Total	
Receivables from housing construction loans	–	–	–	–
Receivables from wholly or partly commercial real estate loans	–	1 267	1 267	–
Receivables from credit card business	–	–	–	–
Receivables from leasing business	–	–	–	–
Receivables from corporates and SME assigned to the exposure class corporates	–	5 562	5 562	–
Receivables from consumer loans	–	32	32	–
Trade receivables	–		–	–
Other receivables	–	50	50	–
Total	**–**	**6 912**	**6 912**	**–**

Table 36 shows the information for the reporting of receivables awaiting securitisation required in accordance with article 449 n) iii) of the CRR.

Table 36: Assets awaiting securitization

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 corporates and SME assigned to the exposure class corporates	1 370
Receivables from consumer loans	–
Trade receivables	–
Other receivables	–
Total	**1 370**

In accordance with the requirements of article 449 o) ii) of the CRR, the retained and purchased re-securitisation exposures are to be reported. The NORD/LB Group does not have any re-securitisation exposures in the portfolio.

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 (4 per cent) directly serve strategic objectives, but make up around 12 per cent of the carrying amount (HGB) 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 by far the largest share of the carrying amount, around 77 per cent, is accounted for by the six investments classified as product suppliers.

Further major investment categories by number are the credit-substituting (26 per cent) and structural investments (18 per cent). These are often written off completely due to their permanent unprofitability and in total make up just 0.2 per cent of the carrying amounts.

Only investments gaining a return and private equity investments (12 per cent of investments by number or 3 per cent by carrying amount) serve profit-making purposes.

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 (an 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 article 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 article 155 of the CRR.

5.2.2 Quantitative Disclosures concerning Investment Risk

Table 37 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. Such investments are currently not relevant for NORD/LB Luxembourg.

Since the reports required in accordance with the German Solvency Regulation are prepared on the basis of accounts prepared in accordance with the German Commercial Code in the NORD/LB Group by the reporting date, information is also provided here on valuations of investments in accordance with the German Commercial Code. For information on the accounting policies in accordance with IFRSs, please refer to the notes to the consolidated financial statements (Note 7) in the Annual Report. Participating interests are reported at acquisition cost or at the lower fair value in the case of permanent impairment. The fair value is usually determined (unless in exceptional cases a listed price or current market value is known) from the present value of the future net earnings for the owners (income value) associated with the ownership of the company.

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 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 37, each broken down by listed and other investments.

Regarding the values reported in Table 37, 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 37: Carrying amounts of investment exposures

Groups of investment instruments (in € million)	Comparison (in € million) Carrying amount	Fair value	Market value
Material investments	45	45	0
of which: listed	0	0	0
of which: other	45	45	–
Significant investments	276	309	0
of which: listed	0	0	0
of which: other	276	309	–
Other investments	34	34	0
of which: listed	0	0	0
of which: other	34	34	–
Holding companies	18	18	0
of which: listed	0	0	0
of which: other	18	18	–
Funds	1 268	1 281	2
of which: listed	2	2	2
of which: other	1 266	1 279	–
Total	**1 641**	**1 687**	**2**

Table 38 contains in accordance with article 447 d) and e) of the CRR contains an overview of the realised and unrealised gains or losses in the investment book which are not consolidated for regulatory purposes and not deducted from equity. Such investments are currently not relevant for NORD/LB Luxembourg.

As in the previous reporting period, a realised profit is reported. There are also deferred revaluation profits as at the reporting date.

Table 38: Realised profits / losses and unrealised revaluation profits / losses from investment instruments

(in € million)	Realised profit / loss from sale / liquidation	Unrealised revaluation profits / loss Total	of which amounts considered in Tier 1 capital	Tier 2 capital
Total	**37**	**165**	**76**	**0**

5.3 Market-price Risk

5.3.1 Market-price Risks

With regard to market-price risk, NORD/LB AöR 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 standard approach is used for special interest-rate risks.

The Group subsidiaries Bremer Landesbank, Deutsche Hypo and NORD/LB Luxembourg use the standard approach. Capital requirements due to interest-rate risk result in Bremer Landesbank and Nord/LB Luxembourg. For general interest-rate risk the duration method is used here. Taking into account the regulatory threshold in accordance with article 351 of the CRR, capital requirements due to currency risk result for Deutsche Hypo, but not for Bremer Landesbank and NORD/LB Luxembourg. Share-price risks are not relevant in Bremer Landesbank, Deutsche Hypo and NORD/LB Luxembourg.

5.3.2 Quantitative Disclosures concerning Market-price Risk

In accordance with article 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 39.

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 39 has been calculated with a confidence level of 99 per cent and a holding period of one trading day.

Table 39: 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	5	8	3	6
General interest-rate risk	2	4	2	3
Share-price risk	0	0	0	0
Volatility risk	4	4	1	3
Currency risk	1	3	1	2
Aggregate stressed VaR	7	15	7	11
General interest-rate risk	6	9	5	6
Share-price risk	2	3	2	3
Volatility risk	3	5	0	2
Currency risk	2	6	2	5

The diagram in Figure 1 shows the VaR values of the categories in Table 39 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 VaR value is reported as a potential loss with a minus sign, and 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. 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 2015 no exceptions were identified.

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

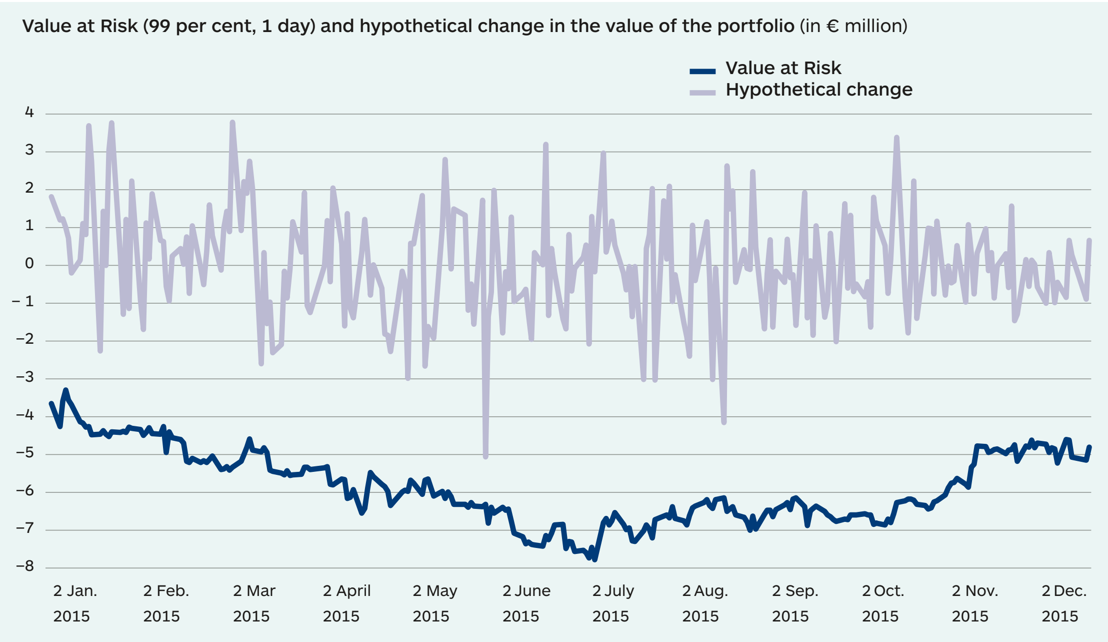

Table 40 shows the capital requirement components in accordance with article 364 of the CRR.

Table 40: Capital requirement components in accordance with article 364 of the CRR

VaR		Stressed VaR		VaR multiplier (mc)	SVaR multiplier (ms)	Capital requirement
Multiplier (mc) x VaR 60-day average (VaRavg) (in € million)	Previous day's value (VaRt-1) (in € million)	Multiplier (ms) x SVaR 60-day average (SVaRavg) (in € million)	Last available (SVaRt-1) (in € million)			(in € million)
66	16	110	23	3.60	3.60	175

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 41 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.

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 41: 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	– 1	0
CHF	– 2	1
CNH	0	0
CNY	0	0
CZK	0	0
DKK	0	0
EUR	– 601	172
GBP	– 36	24
HKD	0	0
JPY	1	0
MXN	0	0
NOK	0	0
NZD	– 1	1
PLN	0	0
SEK	0	0
SGD	0	0
TRY	0	0
USD	– 124	96
ZAR	0	0
Total	**– 765**	**294**

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 below are based on the median of the four end-of-quarter dates in 2015.

Table 42: Encumbered and unencumbered assets (Template A – Assets)

(in € million)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the institute	98 194		96 525	
Equity instruments	–	–	232	1 186
Debt securities	23 287	22 998	20 611	21 221
Other assets	6 882		12 729	

Table 43: Collateral received (Template B – Collateral received)

(in € million)	Fair value of encumbered collateral or debt securities received	Fair value of collateral received available for an encumbrance
Collateral received by the institute	1 796	1 654
Equity instruments	–	–
Debt securities	1 796	1 422
Other collateral received	–	–
Own debt instruments excluding Pfandbriefe and securitisations	5	368

Table 44: Liabilities (Template C – Encumbered assets / collateral received and associated liabilities)

(in € million)	Related liabilities, contingent liabilities or lent securities	Assets, collateral received and own securities
Carrying amount of selected financial liabilities	79 301	99 378

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 fallen compared to the previous year by 7.5 percentage points.

At Group level, NORD/LB AöR 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

The implementing technical standards with regard to disclosure of the leverage ratio for institutions were finalised in the Implementing Regulation (EU) 2016/200 of 15 February 2016 supplementing the CRR. In the tables below for the disclosure of the leverage ratio, the provisions of the Implementing Regulation (EU) 2016/200 of 15 February 2016 were considered.

The leverage ratio was calculated in NORD/LB as at 31 December 2015 based on article 1 of the Commission Delegated Regulation (EU) 2015/62 of 10 October 2014. This Delegated Regulation results in significant changes in the calculation of the total risk position variable of the leverage ratio in a revised CRR/CRD IV framework:

- Credit derivatives: The effective nominal value for written credit derivatives (nominal value reduced by all negatives changes in the fair value) included in Tier 1 capital is integrated in the leverage ratio total exposure measure. The amount can be reduced by the effective nominal value of a purchased credit derivative to the same reference name, if certain conditions have been met.

- Netting of subsequent payments: Subsequent payment received or paid in cash can be deducted from the leverage ratio total exposure measure, if certain conditions have been met.

- Securities financing transactions: Permission to net gross receivables from securities financing transactions with liabilities from securities financing transactions, if certain conditions have been met. In addition a markup for the net receivables from securities financing transactions has to be considered.

- Off-balance-sheet items: Off-balance-sheet risk positions are to be netted using the credit conversion factors from the standard approach for credit risk (0 per cent, 20 per cent, 50 per cent or 100 per cent depending on the risk category, with a lower limit of 10 per cent).

- Regulatory adjustments: Consolidation is limited to the regulatory basis of consolidation. The obligation to consolidate certain investments in companies in the finance sector that are consolidated under commercial law buy not under regulatory law no longer exists.

Table 45: Summary reconciliation of accounting assets and leverage ratio exposures

		Estimated value[1) 30 Jun. 2015 (in € million)	Estimated value[2) 31 Dec. 2015 (in € million)
1	Total assets as per published financial statements	190 802	180 998
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	3 470	2 927
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)	– 95	– 168
4	Adjustments for derivative financial instruments	– 2 551	– 3 987
5	Adjustment for securities financing transactions (SFTs)	513	2 530
6	Adjustment for off-balance sheet items (i. e. conversion to credit equivalent amounts of off-balance sheet exposures)	15 496	12 508
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	– 2 986	– 1 995
8	**Leverage ratio total exposure measure**	**204 649**	**192 813**

1) In accordance with article 429 of the Regulation (EU) no. 575/2013 (original version)
2) In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Table 46: Leverage ratio common disclosure

		Risk positions for the CRR leverage ratio [1)] 30 Jun. 2015 (in € million)	Risk positions for the CRR leverage ratio [2)] 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)	179 398	170 492
2	(Asset amounts deducted in determining Tier 1 capital)	– 725	– 719
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**178 673**	**169 773**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	5 965	4 498
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 466	2 756
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	–	432
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–	– 4 292
8	(Exempted CCP leg of client-cleared trade exposures)	–	– 72
9	Adjusted effective notional amount of written credit derivatives	–	3 050
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–	– 193
11	**Total derivatives exposures (sum of lines 4 to 10)**	**8 431**	**6 179**
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 049	2 048
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–	–
14	Counterparty credit risk exposure for SFT assets	–	2 305
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)**	**2 049**	**4 353**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	23 839	22 792
18	(Adjustments for conversion to credit equivalent amounts)	– 8 343	10 284
19	Other off-balance sheet exposures (sum of lines 17 and 18)	15 496	12 508

		Risk positions for the CRR leverage ratio [1] 30 Jun. 2015 (in € million)	Risk positions for the CRR leverage ratio [2] 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	7 898	8 439
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	204 649	192 813
Leverage ratio			
22	Leverage ratio	3.86 %	4.38 %
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	95	168

1) In accordance with article 429 of the Regulation (EU) No. 575/2013 (original version)
2) In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Table 47: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		Risk positions for the CRR leverage ratio [1] 30 Jun. 2015 (in € million)	Risk positions for the CRR leverage ratio [2] 31 Dec. 2015 (in € million)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	179 398	170 636
EU-2	Trading book exposures	6 135	4 874
EU-3	Banking book exposures, of which:	173 263	165 762
EU-4	Covered bonds	1 819	2 061
EU-5	Exposures treated as sovereigns	51 598	51 037
EU-6	Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	3 492	3 079
EU-7	Institutions	27 775	19 489
EU-8	Secured by mortgages of immovable properties	15 665	14 959
EU-9	Retail exposures	2 618	2 512
EU-10	Corporate	49 553	45 491
EU-11	Exposures in default	6 878	7 183
EU-12	Other exposures (e. g. equity, securitisations, and other non-credit obligation assets)	13 866	19 950

[1] In accordance with article 429 of the Regulation (EU) No. 575/2013 (original version)
[2] In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Operational control and notification 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 depending on the regulatory minimum ratio.

Starting with a leverage ratio of 3.86 per cent as at 30 June 2015, it rose to 3.93 per cent as at 30 September 2015 due mainly to the increase in Tier 1 capital. It rose again to 4.31 per cent as at 31 December 2015 due mainly to a further increase in capital and a reduction in total assets as part of the long-term Group plan.[1)]

As at 31 December 2015 the leverage ratio for the NORD/LB Group in accordance with the transitional provisions of the Delegated Regulation was 4.38 per cent. Here a Tier 1 capital of € 8.439 billion in relation to the total exposure measure of € 192.813 billion is considered.

For the next few years a further gradual increase in the leverage ratio is planned.

[1)] Development of the leverage ratio in accordance with article 429 of the Regulation (EU) No. 575/2013 (original version)

List of Tables (Consolidated Annual Report)

The tables are based on the Examples of Use of the Disclosure Requirements Committee of the Deutsche Bundesbank (Anwendungsbeispiele des Fachgremiums Offenlegungsanforderungen der Deutschen Bundesbank) of November 2006.

Disclosure Reports of Important Subsidiaries

Appendix 1: Disclosure Report of Bremer Landesbank
Appendix 2: Disclosure Report of NORD/LB Luxembourg CBB

Disclosure Report of Bremer Landesbank in Accordance with Art. 13 Para. 1 of the CRR and the German Commercial Code as at 31 December 2015

Contents

Disclosure Report of Bremer Landesbank in Accordance with Art. 13 Para. 1 of the CRR and the German Commercial Code as at 31 December 2015

Rounding may produce slight deviations in the totals presented and percentages calculated in this report.

Preamble

In this report as at 31 December 2015 Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen, as a key subsidiary of the NORD/LB Group, discloses all qualitative and quantitative information required in accordance with the CRR as at this reporting date. This excludes disclosures relating to 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 as previously.

The Disclosure Report is an additional document alongside the Annual Report of Bremer Landesbank. Quantitative disclosures contained in this report are based on the German Commercial Code which constitutes the basis for preparing regulatory reports in accordance with the CRR in Bremer Landesbank on the reporting date. The report discloses information about equity on the one hand and material risks on the other.

For further information relating to the risk environment, in particular the presentation of the way risk management is organised, including the risk-control model used, please refer to the Management Report of Bremer Landesbank, the principles of Bremer Landesbank and the Forecast, Risk and Opportunities Report. That report also includes detailed notes on the risk development of during the reporting period for material risk types as well as an outlook on developments expected in future.

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

Disclosure by the Banks (§ 26a Para. 1 of the German Banking Act (KWG))

Bremer Landesbank’s governing bodies are the Management Board, the Supervisory Board and the Owners’ Meeting. While the Management Board manages the Bank’s business, the Supervisory Board and its committees (Risk Committee, Audit Committee, Nomination Committee, Remuneration Committee and Sponsorship Committee) appoint, advise and monitor the Management Board. Alongside the passing of resolutions regarding the annual financial statements and planning, the Owners’ Meeting is responsible in particular for deciding fundamental issues.

The Management Board of Bremer Landesbank comprises four members who are appointed for a maximum duration of five years; re-appointment is possible. The Management Board manages the Bank’s business in accordance with the legal requirements, the Bank’s statutes and the policies and principles adopted by the Supervisory Board and Owners’ Meeting for the Bank’s business and its own rules of procedure. At the weekly Management Board meetings the Management Board is notified regularly and promptly of the Bank’s risk situation and risk management.

The strategy for selecting members of Bremer Landesbank’s managing body is set down in the rules of procedure for the Nomination Committee in accordance with § 25d para. 11 of the German Banking Act. The Nomination Committee is responsible for the preparation of decisions for the Supervisory Board regarding the determination of applicants for the appointment of members of the Management Board as well as the preparation of selection proposals for the selection of the members of the Supervisory Board, provided these are not nominated or delegated by the owners or are selected directly by the Bank’s staff under the provisions of the Bremen Act on Employee Representation. Here the Nomination Committee considers the balance and variety of knowledge, skills and experience of all members of the Supervisory Board and the Management Board and specifies the amount of time required to fulfil the task. The Nomination Committee supports the Supervisory Board, particularly in the evaluation of the structure, size, composition and performance of the Management Board and the Supervisory Board, which is performed regularly and at least annually, and makes recommendations in this regard. Additionally, the Nomination Committee has been working towards an objective for fostering the representation of the underrepresented gender on the supervisory body as well as a strategy for achieving this in the Supervisory Board.

The German Banking Act stipulates the maximum number of mandates permissible for the members of the Management Board or Supervisory Board for Bremer Landesbank.

Taking into account the possible compositions governed by law in § 25c para. 2 sentence 2 of the German Banking Act, § 25d para. 3 sentence 2 of the German Banking Act and the provisions on grandfathering rights in accordance with § 64r para. 14 sentence 1 of the German Banking Act, the members of the Management Board of Bremer Landesbank comply with the maximum number of permissible mandates. At the present time the members of the Management Board are performing a total of fifteen mandates with supervisory functions.

In performance of their official roles, the members of the Supervisory Board are required to exercise the care of a prudent and conscientious Supervisory Board and must be reliable. Additionally, in performing their monitoring function they must possess the requisite expertise for assessing and monitoring the business that Bremer Landesbank operates and devote adequate time to the fulfilment of their tasks. They are not bound by orders and instructions. They must perform their tasks in an unselfish and responsible manner. The term of office of the members of the Supervisory Board is four years. Re-appointment or re-election is permissible. On expiry of the term of office the former members shall continue in office until the new members have joined the board. The Supervisory Board of Bremer Landesbank comprises eighteen members.

The Risk Committee advises the Supervisory Board on the Bank’s current and future overall readiness for risk and its risk strategy, and supports it in the monitoring of the implementation of this strategy by senior management. The Risk Committee has the task, in regular meetings, of discharging the rights and duties of the Supervisory Board in advising and monitoring the management of the Bank. The Risk Committee of Bremer Landesbank comprises ten members.

Structure and Adequacy of Capital (Art. 437 of the CRR)

The Tier 1 capital of Bremer Landesbank before regulatory adjustments totals € 1.487 billion as at 31 December 2015.

The Bank includes the subscribed capital of € 265 million, capital reserves of € 478 million in the form of the premium associated with the subscribed capital in accordance with art. 26 para. 1 clause 1 letter b of the CRR, retained earnings of € 600 million in accordance with art. 26 para. 1 clause 1 letter c of the CRR as well as the fund for general banking risks of € 589 million in accordance with § 340g of the German Commercial Code including § 340e of the German Commercial Code in accordance with art. 26 para. 1 clause 1 letter f of the CRR as items of Common Equity Tier 1 capital.

The Bank includes regulatory adjustment items (prudential filters) of € 3.12 million in the Common Equity Tier 1 capital. The adjustment items are made up of the profits and losses from derivative liabilities reported at fair value arising from the Bank's own credit risk of € 0.63 million (40 per cent of € 1.57 million) (art. 33 para. 1 letter c of the CRR) as well as the additional valuation adjustments of € 2.49 million due to the requirements for a cautious valuation in accordance with art. 34 in conjunction with art. 105 of the CRR.

As at 31 December 2015 intangible assets of € 11 million in accordance with art. 36 letter b of the CRR are reported as deductions in Common Equity Tier 1 capital. Taking into account the transitional provisions in accordance with art. 469 para. 1 letter a, 478 of the CRR in conjunction with § 26 para. 1 of the German Solvency Regulation (SolvV), the remaining amount of 60 per cent (€ 6 million) is deducted in the first instance from the additional Tier 1 capital in accordance with art. 472 para. 4 of the CRR.

As at 31 December 2015, the Bank further recorded a valuation allowance shortfall of € 830 million for IRBA risk positions as a deduction in Common Equity Tier 1 capital in accordance with art. 36 para. 1 letter d. 40 per cent of this (€ 332 million) is deducted directly in accordance with art. 469 para. 1 letter a, 478 of the CRR in conjunction with § 26 para. 1 of the German Solvency Regulation. In accordance with art. 472 para. 6 of the CRR, half (€ 249 million) of the remaining amount of € 498 million is deducted from the additional Tier 1 capital and half from the Tier 2 capital.

In the reporting year the Bank has additional Tier 1 capital of € 150 million in accordance with art. 61 of the CRR. The remaining amounts for intangible assets to be deducted from the additional Tier 1 capital in accordance with the transitional provisions and the valuation allowance shortfall for

IRBA risk positions are accounted for as deductions from the Common Equity Tier 1 capital in accordance with art. 36 para. 1 letter j of the CRR. € 6 million of the deductible amount of € 255 million is attributable to intangible assets and € 249 million to the valuation allowance shortfall for IRBA risk positions.

Tier 2 capital in accordance with art. 71 of the CRR was reported on the reporting date 31 December 2015 after deduction of the pro-rata valuation allowance shortfall in the amount of € 352 million. The Tier 2 capital positions developed as follows:

longer-term subordinated liabilities are reported under the item capital instruments and subordinated loans in accordance with art. 62 letter a of the CRR, and were recognised in the amount of € 600 million as at 31 December 2015. The capital instruments are made up of three longer-term subordinated bearer debt securities in the nominal amount of € 350 million and three longer-term subordinated registered debt securities in the nominal amount of € 250 million (see chapter 2 “Main Features of Capital Instruments”).

As at 31 December 2015 Bremer Landesbank’s equity stood at € 1.839 billion. It consists of Tier 1 capital in the amount of € 1.487 billion and Tier 2 capital in the amount of € 352 million. The Tier 1 capital consists of the instruments of Common Equity Tier 1 capital (€ 1.487 billion) and instruments of additional Tier 1 capital (€ 0 million).

The Common Equity Tier 1 capital consists of paid-in capital instruments (€ 265 million), premiums (€ 478 million) and retained earnings (€ 600 million). Additionally, grandfathered instruments of € 589 million are still taken into account in the Common Equity Tier 1 capital as at the reporting date. Conversely, the Common Equity Tier 1 capital has been reduced by regulatory adjustments of € 445 million.

The additional Tier 1 capital only contains effects from the transitional provisions of the CRR. In the reporting period 1 January 2015 to 31 December 2015, additional Tier 1 capital was acquired through the issue of AT1 bonds (subordinated bearer debt securities). Ultimately the deductions of € 255 million exceed the additional Tier 1 capital by € 105 million and reduce the Common Equity Tier 1 capital by this amount.

The Tier 2 capital consists of paid-in capital instruments (€ 600 million) and general credit-risk adjustments using the standard approach (€ 1 million). Conversely, the codified transitional provisions or deductions result in a reduction in Tier 2 capital of € 249 million.

Table 1 below shows the composition of regulatory capital during the transitional phase and was prepared in accordance with EBA/GL/2014/14 (Section 6, Title VII).

Table 1: Structure of equity during the transitional phase

Equity on the basis of Regulation (EU) No. 575/2013 (CRR) – Amount on disclosure date (in € m)	31.12.2015	30.06.2015
Common Equity Tier 1 capital (CET1): Instruments and reserves		
Common Equity Tier 1 capital (CET 1) before regulatory adjustments	1,932	1,932
Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	−445	−580
Common Equity Tier 1 capital (CET1)	1,487	1,352
Additional Tier 1 capital (AT1): Instruments		
Additional Tier 1 capital (AT1) before regulatory adjustments	150	50
Total regulatory adjustments to the additional Tier 1 capital (AT1)	−150	−50
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1 = CET1 + AT1)	1,487	1,352
Tier 2 capital (T2): Instruments and reserves		
Tier 2 capital (T2) before regulatory adjustments	601	615
Total regulatory adjustments of the Tier 2 capital (T2)	−249	−266
Tier 2 capital (T2)	352	349
Total capital (TC = T1 + T2)	1,839	1,701
Capital ratios (in accordance with art. 92 (2) (b), 465 of the CRR)		
Common Equity Tier 1 capital ratio (expressed as percentage of the total risk exposure)	10.76	9.00
Tier 1 capital ratio (expressed as percentage of the total risk exposure)	10.76	9.00
Regulatory capital ratio (expressed as percentage of the total risk exposure)	13.31	11.32

1. Method used for Balance-Sheet Reconciliation (Art. 437 of the CRR)

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 at individual institute level under commercial and regulatory law.

Table 2: Reconciliation statement: Balance sheet

Assets		German Commercial Code (in € m)	Reference
1.	Cash reserve	73	
2.	Public-sector debt instruments and bills of exchange eligible for refinancing with central banks:	0	
3.	Loans and advances to banks	3,494	
4.	Loans and advances to customers	21,884	
5.	Debt securities and other fixed-interest securities	2,823	
6.	Shares and other non fixed-interest securities	19	
	of which: Non-significant investments in Common Equity Tier 1 capital	19	1
6a.	Trading portfolio	216	
7.	Investments	52	
	of which: Significant investments in Common Equity Tier 1 capital	49	2
	of which: Non-significant investments in Common Equity Tier 1 capital	2	1
8.	Shares in affiliated companies	73	
9.	Trust assets	15	
10.	Equalisation claims against the public sector including bonds from their exchange	0	
11.	Intangible assets	11	
12.	Property and equipment	101	
13.	Other assets	295	
	of which: Non-significant investments in additional Tier 1 capital	14	3
14.	Deferred items	9	
15.	Deferred tax assets	0	
Total assets		**29,065**	

Liabilities		German Commercial Code (in € m)	Reference
1.	Liabilities to banks	10,598	
2.	Liabilities to customers	9,823	
3.	Securitised liabilities	5,279	
3a.	Trading portfolio	66	
	of which: Debit value adjustment (DVA)	2	4
4.	Trust liabilities	15	
5.	Other liabilities	430	
6.	Deferred items	15	
6a.	Deferred tax liabilities	0	
7.	Provisions	150	
8.	Subordinated liabilities	600	
9.	Participatory capital	150	
10.	Fund for general banking risks	596	5
11.	Equity	1,343	
	a) Subscribed capital	265	
	aa) Share capital	265	6
	ac) Other capital contribution	0	
	b) Capital reserves	478	6
	c) Retained earnings	600	6
	ca) Statutory reserves	0	
	cb) Reserves required by the statutes	0	
	cc) Other retained earnings	600	
	d) Profit	0	
Total liabilities		**29,065**	

Table 3: Reconciliation statement: Regulatory capital

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
Common Equity Tier 1 capital (CET1): Instruments and reserves					
1	Capital instruments and the associated premium	743		-	
1	of which: subscribed capital	265	EBA breakdown in accordance with art. 26 (3) of the CRR	-	6
1	of which: Capital reserves	478	EBA breakdown in accordance with art. 26 (3) of the CRR	-	6
2	Retained earnings	600	Art. 26 (1) (c) of the CRR	-	6
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) of the CRR	-	
3a	Fund for general banking risks	586	Art. 26(1)(f)	-	
4	Amount of the items as defined by art. 484 para. 3 of the CRR plus the associated premiums, whose mandatory inclusion in CET 1 will expire.	3	Art. 486 (2) of the CRR	-	
	State capital allocations with grandfathering rights to 1 January 2018	-	Art. 483 (2) of the CRR	-	
5	Minority interest	-	Art. 84, 479, 480 of the CRR	-	
5a	Interim profit independently audited, less all foreseeable levies or dividends	0	Art. 26 (2) of the CRR	-	
6	Common Equity Tier 1 capital (CET 1) before regulatory adjustments	1,932		-	
Common Equity Tier 1 capital (CET 1): regulatory adjustments					
7	Additional valuation adjustments (negative amount)	−2	Art. 34, 105 of the CRR	-	
8	Intangible assets (less corresponding tax liabilities) (negative amount)	−4	Art. 36 (1) (b), 37, 472 (4) of the CRR	-6	
10	Latent tax exposures 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) of the CRR	-	
11	Reserves from profits or losses from transactions for hedging payment flows accounted for at fair value	-	Art. 33 (a) of the CRR	-	
12	Negative amounts from the calculation of anticipated losses	−332	Art. 36 (1) (d), 40, 159, 472 (6) of the CRR	−498	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
13	Increase in capital resulting from securitised assets (negative amount)	-	Art. 32 (1) of the 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) of the CRR	-	
14 (2)	Profits and losses from derivative liabilities at fair value resulting from the Bank's own credit risk	−1	Art. 33 (c) of the CRR	−1	4
15	Assets from pension funds with defined benefit (negative amount)	-	Art. 36 (1) (e), 41, 472 (7) of the CRR	-	
16	Direct and indirect positions of a bank in its own instruments of Common Equity Tier 1 capital (negative amount)	-	Art. 36 (1) (f), 42, 472 (8) of the CRR	-	
17	Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 capital 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) of the CRR	-	
18	Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 capital 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)	2	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79,472 (10) of the CRR	-	1
19	Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 capital 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)	49	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 to 3), 79, 470, 472 (11) of the CRR	-	2
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 capital	-	Art. 36 (1) (k) of the CRR	-	
20b	of which: qualified investments outside the financial sector (negative amount)	-	Art. 36 (1) (k) (i), 89, 90, 91 of the CRR	-	
20c	of which: Securitisation positions (negative amount)	-	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 of the CRR	-	
20d	of which: advance payments (negative amount)	-	Art. 36 (1) (k) (iii), 379 (3) of the CRR	-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
21	Latent tax claims 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) of the CRR	-	
22	Amount above the 15 per cent threshold (negative amount)	-	Art. 48 (1) of the 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) of the CRR	-	
25	of which: latent tax liabilities dependent on future profitability arising from temporary differences	-	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) of the CRR	-	
25a	Losses from the current financial year (negative amount)	-	Art. 36 (1) (a), 472 (3) of the CRR	-	
25b	Foreseeable tax burden on items of Common Equity Tier 1 capital (negative amount)	-	Art. 36 (1) (l) of the 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 of the CRR	-	Art. 467, 468 of the 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 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	-	Art. 481 of the CRR	-	
	of which: other deductions from Common Equity Tier 1 capital	-	Art. 481 of the CRR	-	
27	Amount of the items deductible from the items of the additional Tier 1 capital that exceed the Bank's additional Tier 1 capital (negative amount)	−105	Art. 36 (1) (j) of the CRR	-	
28	Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	−445		-	
29	Common Equity Tier 1 capital (CET1)	1,487		-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
Additional Tier 1 capital (AT1): Instruments					
30	Capital instruments and the associated premium	150	Art. 51, 52 of the CRR	-	
31	of which: classed as equity in accordance with applicable accounting standards	150		-	
32	of which: classed as liabilities in accordance with applicable accounting standards	-		-	
33	Amount of the items as defined by art. 484 para. 4 plus the associated premium whose mandatory inclusion in AT1 will expire	-	Art. 486 (3) of the CRR	-	
	State capital allocations with grandfathering rights to 1 January 2018	-	Art. 483 (3) of the CRR	-	
34	Instruments of the qualified Tier 1 included in the additional consolidated Tier 1 capital (including majority shareholdings not included in Common Equity Tier 1 capital) issued by subsidiaries and held by third parties	-	Art. 85, 86, 480 of the CRR	-	
35	of which: instruments issued by subsidiaries	-	Art. 486 (3) of the CRR	-	
36	Additional Tier 1 capital (AT1) before regulatory adjustments	150		-	
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) of the CRR	-	
38	Direct, indirect and synthetic positions of the Bank in instruments of additional Tier 1 capital 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) of the CRR	-	
39	Direct and indirect positions of the Bank in instruments of additional Tier 1 capital 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)	14	Art. 56 (c), 59, 60, 79, 475 (4) of the CRR	-	3
40	Direct, indirect and synthetic positions of the Bank in instruments of additional Tier 1 capital 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) of the CRR	-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
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 capital during the transitional phase in accordance with art. 472 of Regulation (EU) No. 575/2013	−256	Art. 472, 472 para. 3a, 4, 6, 8 (a) , 9, 10a and 11a of the CRR	-	
	of which: Intangible assets	-7		-	
	of which: shortfall between valuation allowances and expected loss	−249		-	
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 of the CRR	-	
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 of the CRR	-	
	of which: Amount of the items deductible from the items of the additional Tier 1 capital that exceed the Bank's additional Tier 1 capital which was taken into account in the Common Equity Tier 1 capital	-		-	
42	Amount of the items deductible from the items of Tier 2 capital that exceed the Bank's Tier 2 capital (negative amount)	−105	Art. 56 (e) of the CRR	-	
43	Total regulatory adjustments to the additional Tier 1 capital (AT1)	256		-	
44	Additional Tier 1 capital (AT1)	0		-	
45	Tier 1 capital (T1 = CET1 + AT1)	1,487		-	
Tier 2 capital (T2): Instruments and reserves					
46	Capital instruments and the associated premium	600	Art. 62, 63 of the CRR	-	
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) of the CRR	-	
	State capital allocations with grandfathering rights to 1 January 2018	-	Art. 483 (4) of the CRR	-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
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 of the CRR	-	
49	of which: instruments issued by subsidiaries	-	Art. 486 (4) of the CRR	-	
50	Credit-risk adjustments	1	Art. 62 (c) and (d) of the CRR	-	
51	Tier 2 capital (T2) before regulatory adjustments	601		-	
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) of the 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) of the 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) of the CRR	-	
54a	of which: new positions not subject to transitional provisions	-		-	
54b	f which: positions existing prior to 1 January 2013 that are subject to transitional provisions	-		-	
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) of the 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)	-		-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
56a	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Common Equity Tier 1 capital during the transitional phase in accordance with art. 472 of Regulation (EU) No. 575/2013	−249	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	−249		-	
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) of the CRR	-	
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 of the CRR	-	
	of which: adjustments due to grandfathering provisions	-		-	
57	Total regulatory adjustments of the Tier 2 capital (T2)	−249		-	
58	Tier 2 capital (T2)	352		-	
59	Total capital (TC = T1 + T2)	1,839		-	
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 Common Equity Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	no data	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) of the CRR	-	
	of which: items not deductible from additional Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	no data	Art. 475, 475 (2) (b), (2) (c) and (4) (b) of the CRR	-	
	of which: items not deductible from Tier 2 capital (Regulation (EU) No. 575/2013, remaining amounts)	no data	Art. 477, 477 (2) (b), (2) (c), (4) (b) of the CRR	-	
60	Total risk-weighted assets	13,815		-	
	of which: Credit risk	12,714		-	
	of which: credit-risk-related valuation adjustment (CVA)	72		-	
	of which: Market-price risk	148		-	
	of which: Operational risk	881		-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	Reference
Equity ratios and buffers					
61	Common Equity Tier 1 capital ratio (expressed as percentage of the total exposure)	10.76	Art. 92 (2) (a), 465 of the CRR	-	
62	Tier 1 capital ratio (expressed as percentage of the total exposure)	10.76	Art. 92 (2) (b), 465 of the CRR	-	
63	Regulatory capital ratio (expressed as percentage of the total exposure)	13.31	Art. 92 (2) (c) of the 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)	4.50	Art. 128, 129, 130 of the CRD IV	-	
65	of which: capital-maintenance buffer	-		-	
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 of the CRD IV	-	
68	Available Common Equity Tier 1 capital for the buffers (expressed as percentage of the total exposure)	6.26	Art. 128 of the 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)	16	Art. 36 (1) (h), 45, 46, 472 (10) , 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) of the CRR	-	1+3
73	Direct and indirect positions of the Bank in instruments of Common Equity Tier 1 capital of companies in the financial sector in which the Bank holds a significant investment (more than 10 per cent and less eligible sales positions)	49	Art. 36 (1) (i), 45, 48, 470, 472 (11) of the CRR	-	2
75	Latent tax claims 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) of the CRR	-	

Reference	Basis as at 31 December 2015	Capital on the basis of Regulation (EU) No. 575/2013 (CRR) Amount on disclosure date (in € m)	Reference to art. in the Regulation (EU) No. 575/2013	Amounts subject to treatment under Regulation (EU) No. 575/2013 or prescribed remaining amount in accordance with Regulation (EU) No. 575/2013 (in € m)	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 risk positions subject to the standard approach (before application of the cap)	-	Art. 62 of the CRR	-	
77	Cap for inclusion of credit-risk adjustments in the Tier 2 capital using the standard approach	9	Art. 62 of the CRR	-	
78	Credit-risk adjustments relating to Tier 2 capital relating to risk positions subject to the approach based on internal assessments (before application of the cap)	-	Art. 62 of the CRR	-	
79	Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	70	Art. 62 of the 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	4	Art. 484 (3), 486 (2), (5) of the CRR	-	
81	Amount excluded from CET 1 due to the cap (amount above cap after reconciliations and maturities)	−4	Art. 484 (3), 486 (2), (5) of the CRR	-	
82	Current cap for AT 1 instruments subject to the transitional provisions	-	Art. 484 (4), 486 (3), (5) of the CRR	-	
83	Amount excluded from AT 1 due to the cap (amount above cap after reconciliations and maturities)	-	Art. 484 (4), 486 (3), (5) of the CRR	-	
84	Current cap for T2 instruments subject to the transitional provisions	-	Art. 484 (5), 486 (4), (5) of the CRR	-	
85	Amount excluded from T2 due to the cap (amount above cap after reconciliations and maturities)	-	Art. 484 (5), 486 (4), (5) of the CRR	-	

Remarks on the reconciliation statement

1 The non-significant investments in the Common Equity Tier 1 capital do not result in a deduction from the Common Equity Tier 1 as they are below the threshold.

2 The significant investments in the Common Equity Tier 1 do not result in a deduction from the Common Equity Tier 1 capital as they are below the threshold.

3 The non-significant investments in the additional Tier 1 capital do not result in a deduction from the additional Tier 1 capital as they are below the threshold.

4 The regulatory adjustment item debit value adjustment (DVA) is only deducted from the Common Equity Tier 1 capital at 40 per cent in accordance with the transitional provisions.

5 The deviation from the balance sheet value results from the € 3 million increase of § 340g of the German Commercial Code which as at 31 December may not be included under regulatory law, and from the 70 per cent inclusion of the special item for general banking risks (€ 4 million as at 31 December) in the amount of € 2.77 million in accordance with § 340e of the German Commercial Code.

6 There is no difference in treatment between commercial and regulatory law for the positions subscribed capital, capital reserves and retained earnings.

2. Key Features of the Capital Instruments (Art. 437 of the CRR)

Table 4: Key features of the capital instruments

No.	Key features of the capital instruments	Share capital	Capital reserves	Subordinated AT1 bearer debt security	Subordinated AT1 bearer debt security
1	Issuer	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)
2	Standard identifier (e.g. CUSIP, ISIN or Bloomberg identifier 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 provisions	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	CRR provisions after the transitional period	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
6	Eligible at solo, Group/solo and Group level	Solo	Solo	Solo and (partially) consolidated	Solo and (partially) consolidated
7	Instrument type (types to be specified by each country)	Share capital/nominal capital	Capital reserves	Subordinated AT1 bearer debt security	Subordinated AT1 bearer debt security
8	Amount eligible for regulatory capital (currency in millions, as at last reporting date)	265	478	50	100
9	Nominal value of the instrument (in € m)	265	478	50	100
9a	Issue price	-	-	100 %	100 %
9b	Redemption price	-	-	Carrying or nominal value, if need be reduced by any write-down	Carrying or nominal value, if need be reduced by any write-down
10	Accounting classification	Subscribed capital	Capital reserves	Liability – amortised costs	Liability – amortised costs
11	Original issue date	1983 and 2012	2004 and 2012	29.06.2015	28.12.2015
12	Indefinite or with expiry date	Indefinite	Indefinite	Indefinite	Indefinite
13	Original due date	No due date	No due date	No due date	No due date
14	May be terminated by issuer with prior consent of the supervisory body	No	No	Yes	Yes

No.	Key features of the capital instruments	Share capital	Capital reserves	Subordinated AT1 bearer debt security	Subordinated AT1 bearer debt security
15	Termination date may be selected, conditional termination dates and redemption amount	No	No	Early repayment right for the issuer for regulatory and tax reasons: subject to a notice period of no less than 35 and no more than 60 days in accordance with § 5 (2) and (3) of the loan conditions; in full, not in part and with the consent of the supervisory authority. Early repayment at issuer's request: no earlier than 29 June 2020 and then on each interest due date subject to a notice period of no less than thirty-five days in accordance with § 5 (4) of the loan conditions; in full, not in part and with the consent of the supervisory authority.	Early repayment right for the issuer for regulatory and tax reasons: subject to a notice period of no less than 35 and no more than 60 days in accordance with § 5 (2) and (3) of the loan conditions; in full, not in part and with the consent of the supervisory authority. Early repayment at issuer's request: no earlier than 29 June 2021 and then on each interest due date subject to a notice period of no less than thirty-five days in accordance with § 5 (4) of the loan conditions; in full, not in part and with the consent of the supervisory authority.
16	Later termination dates, if applicable	No	No	see no. 15	see no. 15
	Coupons/dividends				
17	Fixed or variable dividends/coupon payments	Variable interest rates	No interest	Fixed interest rate variable from 29.06.2020	Fixed interest rate variable from 29.06.2021
18	Nominal coupon and reference index as relevant	-	-	fixed at 8.5 % until 28.06.2020 incl., variable 12-month Euribor +7.968 % from 29.06.2020 incl.	fixed at 9.5 % until 28.06.2021 incl., variable 12-month Euribor +9.135 % from 29.06.2021 incl.
19	Dividend stop in place	-	-	No	No
20a	Fully discretionary, partially discretionary or mandatory (as regards time)	Fully discretionary	-	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (as regards the amount)	Fully discretionary	-	Fully discretionary	Fully discretionary
21	Cost increase clause or another redemption incentive in place	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: fully or partially	-	-	-	-
26	If convertible: conversion rate	-	-	-	-

No.	Key features of the capital instruments	Share capital	Capital reserves	Subordinated AT1 bearer debt security	Subordinated AT1 bearer debt security
27	If convertible: conversion obligatory or optional	-	-	-	-
28	If convertible: type of instrument to be converted to	-	-	-	-
29	If convertible: issuer of instrument to be converted to	-	-	-	-
30	Write-down features	No	No	Yes	Yes
31	In case of write-down: trigger for write-down	-	-	Trigger CET1 ratio of 5.125 % underrun	Trigger CET1 ratio of 5.125 % underrun
32	In case of write-down: fully or in part	-	-	Write-downs correspond to the amount required for the full restoration of the minimum CET1 ratio of 5.125 %	Write-downs correspond to the amount required for the full restoration of the minimum CET1 ratio of 5.125 %
33	In case of write-down: permanent or temporary	-	-	temporary	temporary
34	In case of temporary write-down: Mechanism for re-allocation	-	-	Re-allocation if (taking account of further write-ups and interest payments on AT1 instruments) a corresponding profit for the year and maximum distributable amount are available in accordance with CRD IV, art. 141 para. 2 and the trigger ratio is overrun before and after	Re-allocation if (taking account of further write-ups and interest payments on AT1 instruments) a corresponding profit for the year and maximum distributable amount are available in accordance with CRD IV, art. 141 para. 2 and the trigger ratio is overrun before and after
35	Priority position in case of liquidation (always specify the next instrument up)	Last priority	Last priority	subordinate to Tier 2 capital	subordinate to Tier 2 capital
36	Incorrect features of the converted instrument	-	-	No	No
37	Specify any incorrect features	-	-	No	No

No.	Key features of the capital instruments	Subordinated registered debt security		
1	Issuer	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)
2	Standard identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)			
3	Law governing the instrument	German law	German law	German law
	Regulatory treatment			
4	CRR transitional provisions	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR provisions after the transitional period	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo, Group/solo and Group level	Solo and (partially) consolidated	Solo and (partially) consolidated	Solo and (partially) consolidated
7	Instrument type (types to be specified by each country)	Subordinated registered debt security	Subordinated registered debt security	Subordinated registered debt security
8	Amount eligible for regulatory capital (currency in millions, as at last reporting date)	50	150	50
9	Nominal value of the instrument (in € m)	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	Indefinite or with expiry date	With expiry date	With expiry date	With expiry date
13	Original due date	06.12.2027	16.11.2027	11.09.2028
14	May be terminated by issuer with prior consent of the supervisory body	Yes	Yes	Yes
15	Termination date may be selected, conditional termination dates and redemption amount	Early repayment at issuer's request: no earlier than 06 September 2022 and then on each interest due date subject to a notice period of no less than five business days in accordance with § 5 (3) of the loan conditions; in full, not in part and with the consent of the supervisory authority. Early repayment right for the issuer on regulatory grounds: subject to a notice period of no less than 30 and no more than 60 days in accordance with § 5 (2) of the loan conditions; in full, not in part and with the consent of the supervisory authority.	Early repayment at issuer's request: no earlier than 16 September 2022 and then on each interest due date subject to a notice period of no less than five business days in accordance with § 5 (3) of the loan conditions; in full, not in part and with the consent of the supervisory authority. Early repayment right for the issuer on regulatory grounds: subject to a notice period of no less than 30 and no more than 60 days in accordance with § 5 (2) of the loan conditions; in full, not in part and with the consent of the supervisory authority.	Early repayment at issuer's request: no earlier than 11 September 2023 and then on each interest due date subject to a notice period of no less than five business days in accordance with § 5 (3) of the loan conditions; in full, not in part and with the consent of the supervisory authority. Early repayment right for the issuer on regulatory grounds: subject to a notice period of no less than 30 and no more than 60 days in accordance with § 5 (2) of the loan conditions; in full, not in part and with the consent of the supervisory authority.
16	Later termination dates, if applicable	-	-	-

No.	Key features of the capital instruments	Subordinated bearer debt securities		
	Coupons/dividends			
17	Fixed or variable dividends/coupon payments	Variable interest rates	Variable interest rates	Variable interest rates
18	Nominal coupon and reference index as relevant	6-month Euribor +3.50 %	6-month Euribor +3.50 %	6-month Euribor +3.40 %
19	Dividend stop in place	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (as regards time)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (as regards the amount)	Mandatory	Mandatory	Mandatory
21	Cost increase clause or another redemption incentive in place	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: fully or partially	-	-	-
26	If convertible: conversion rate	-	-	-
27	If convertible: conversion obligatory or optional	-	-	-
28	If convertible: type of instrument to be converted to	-	-	-
29	If convertible: issuer of instrument to be converted to	-	-	-
30	Write-down features	No	No	No
31	In case of write-down: trigger for write-down	-	-	-
32	In case of write-down: fully or in part	-	-	-
33	In case of write-down: permanent or temporary	-	-	-
34	In case of temporary write-down: Mechanism for re-allocation	-	-	-
35	Priority position in case of liquidation (always specify the next instrument up)	Non-subordinated liabilities take precedence	Non-subordinated liabilities take precedence	Non-subordinated liabilities take precedence
36	Incorrect features of the converted instrument	No	No	No
37	Specify any incorrect features	-	-	-

No.	Key features of the capital instruments	Subordinated bearer debt securities		
1	Issuer	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)	Bremer Landesbank (AöR)
2	Standard identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	XS0113243397	XS0126529337	XS0127597036
3	Law governing the instrument	English law	English law	English law
	Regulatory treatment			
4	CRR transitional provisions	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	CRR provisions after the transitional period	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Eligible at solo, Group/solo and Group level	Solo and (partially) consolidated	Solo and (partially) consolidated	Solo and (partially) consolidated
7	Instrument type (types to be specified by each country)	Subordinated bearer debt security	Subordinated bearer debt security	Subordinated bearer debt security
8	Amount eligible for regulatory capital (currency in millions, as at last reporting date)	200	85	65
9	Nominal value of the instrument (in € m)	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 due date	28.06.2030	21.03.2031	05.04.2041
14	May be terminated by issuer with prior consent of the supervisory body	Yes	Yes	Yes
15	Termination date may be selected, conditional termination dates and redemption amount	Early repayment right for the issuer in the event of tax changes in accordance with § 6.01 of the loan conditions under German law.	Early repayment right for the issuer in the event of tax changes in accordance with § 6.01 of the loan conditions under German law.	Early repayment right for the issuer in the event of tax changes in accordance with § 6.01 of the loan conditions under German law.
16	Later termination dates, if applicable	-	-	-
	Coupons/dividends			
17	Fixed or variable dividends/coupon payments	Variable interest rates	Variable interest rates	Variable interest rates
18	Nominal coupon and reference index as relevant	6-month Euribor +0.375 %	6-month Euribor +0.350 %	6-month Euribor +0.380 %
19	Dividend stop in place	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (as regards time)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (as regards the amount)	Mandatory	Mandatory	Mandatory

	Coupons/dividends			
21	Cost increase clause or another redemption incentive in place	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: fully or partially	-	-	-
26	If convertible: conversion rate	-	-	-
27	If convertible: conversion obligatory or optional	-	-	-
28	If convertible: type of instrument to be converted to	-	-	-
29	If convertible: issuer of instrument to be converted to	-	-	-
30	Write-down features	No	No	No
31	In case of write-down: trigger for write-down	-	-	-
32	In case of write-down: fully or in part	-	-	-
33	In case of write-down: permanent or temporary	-	-	-
34	In case of temporary write-down: Mechanism for re-allocation	-	-	-
35	Priority position in case of liquidation (always specify the next instrument up)	Non-subordinated liabilities take precedence	Non-subordinated liabilities take precedence	Non-subordinated liabilities take precedence
36	Incorrect features of the converted instrument	No	No	No
37	Specify any incorrect features	-	-	-

The issue prospectus for the subordinated AT1 bearer debt security for € 50.2 million (DE000BRL00A4) is published on our homepage under „Investor Relations – Base Prospectus/Terms & Conditions of the Notes”. Bremer Landesbank is subject to no further publication obligation for all other capital instruments listed.

3. Capital Requirements by Risk Type (Art. 438 of the CRR)

Table 5 lists the regulatory capital requirements for Bremer Landesbank, broken down by the significant risk types and approaches used.

Table 5: Capital requirements

Capital requirements (in € m)	Capital requirements 31.12.2015	Risk-weighted assets 31.12.2015	Capital requirements 30.06.2015	Risk-weighted assets 30.06.2015
1 Credit risks				
1.1 Credit risk – standard approach				
Central governments or central banks	-	-	-	-
Regional governments or local authorities	0	0	0	0
Public institutions	0	1	0	3
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Banks	2	21	3	43
Companies	12	152	13	158
Volume business	12	147	15	186
Positions collateralised with real estate	11	143	11	135
Items in default	0	4	0	5
Very high-risk positions	0	0	0	0
Debt securities	-	-	-	-
Risk positions with banks and companies with a short-term credit rating	-	-	-	-
Collective investment undertakings (CIU)	-	-	-	-
Other positions	-	-	-	-
Total for credit risk – standard approach	**38**	**469**	**42**	**529**
1.2 IRB approaches	**-**	**-**		
Central governments or central banks	0	1	0	0
Banks	69	860	85	1,064
Companies – SMEs	31	388	39	487
Companies – special finance	603	7,536	646	8,075
Companies – other	225	2,817	266	3,329
Volume business – of which collateralised with mortgages, SMEs	-	-	-	-
Volume business – of which collateralised with mortgages, not SMEs	-	-	-	-
Volume business – of which qualified, revolving	-	-	-	-
Volume business – of which other, SMEs	-	-	-	-
Volume business – of which other, not SMEs	-	-	-	-
Other non-loan-dependent assets	10	122	8	102
Total for IRB approaches	**938**	**11,723**	**1,045**	**13,057**

Capital requirements (in € m)	Capital requirements 31.12.2015	Risk-weighted assets 31.12.2015	Capital requirements 30.06.2015	Risk-weighted assets 30.06.2015
1.3 Securitisations	**-**	**-**		
Securitisations under the CRSA approach	-	-	-	-
of which: Re-securitisations	-	-	-	-
Securitisations under the IRB approach	20	254	-	-
of which: Re-securitisations	-	-	-	-
Total securitisations	**20**	**254**	**-**	**-**
1.4 Investments	**-**	**-**		
Investments under the IRB approach	1	9	1	9
of which internal model approach	-	-	-	-
of which PD/LGD approach	-	-	-	-
of which simple risk-weighting approach	1	9	1	9
of which exchange-traded investments	-	-	-	-
of which investments which are not exchange-traded but belong to a diversified investment portfolio	-	-	-	-
of which other investments	1	9	1	9
Investments under the CRSA approach	21	258	19	239
of which investment values in the case of continued use of the old methodology/grandfathering	-	-	-	-
Total investments	**21**	**267**	**20**	**248**
1.5 Risk-position amount for contributions to the default fund of a central counterparty	**0**	**0**	**0**	**0**
Total credit risks	**1,017**	**12,714**	**1,107**	**13,834**
2. Clearing risks	**-**	**-**		
Clearing risks in the investment portfolio	-	-	-	-
Clearing risks in the trading book	-	-	-	-
Total clearing risks	**-**	**-**	**-**	**-**
3. Market-price risks	**-**	**-**		
Standard approach	12	148	12	150
of which: Interest-rate risks	12	148	12	150
of which: general and specific interest-rate risk (net interest position)	12	148	12	150
of which: specific interest-rate risk for securitisation positions in the trading book	-	-	-	-
of which: specific interest-rate risk in the correlation trading portfolio	-	-	-	-
of which: share-price risks	-	-	-	-
of which: currency risks	-	-	-	-
of which: risks from commodity positions	-	-	-	-
Internal model approach	-	-	-	-
Total market-price risks	**12**	**148**	**12**	**150**
4. Operational risks	**-**	**-**		
Basic-indicator approach	-	-	-	-
Standard approach	70	881	70	881
Advanced measurement approach	-	-	-	-
Total operational risks	**70**	**881**	**70**	**881**
5. Total amount of risk positions for credit value adjustment	**6**	**72**	**13**	**160**

Capital requirements (in € m)	Capital requirements 31.12.2015	Risk-weighted assets	Capital requirements 30.06.2015	Risk-weighted assets
6. Total amount of risk positions relating to large loans in the trading portfolio	**-**	**-**	**-**	**-**
7. Others	**-**	**-**		
Other exposure amounts	-	-	-	-
Total amount of capital requirements	**1,105**	**13,815**	**1,202**	**15,025**

For further information in the risk context, in particular for the assessment of the approach under which the Bank assesses the adequacy of its internal capital for securing its current and future activities, we refer to the Bremer Landesbank Management Report, the principles of Bremer Landesbank and the Forecast, Risk and Opportunities Report. That report also includes detailed notes on the risk development of during the reporting period for material risk types as well as an outlook on developments expected in future.

4. Security Mechanisms at Bank Level (Art. 438 of the CRR)

Bremer Landesbank has adequate capital resources, is part of the joint liability scheme of the savings bank financial group and is a member of the security reserve of landesbanks and giro banks.

5. Credit Risks (Art. 438 of the CRR)

Bremer Landesbank uses the basic approach based on internal ratings (IRBA) for calculating capital charges.

In partial use the risk positions for which no internal rating process is available due to a gap in the methods are looked at, and Bremer Landesbank's volume business is excluded from the IRBA. Regular rating controls ensure that the specified rating coverage level of 92 per cent is maintained.

Securitisation is an instrument available to Bremer Landesbank to control credit risks. The aim of the securitisation activities is to reduce the burden on regulatory capital requirements. To diversify the credit portfolio the existing credit risks on the Bank's own books may be passed to other market participants. In 2015 Bremer Landesbank originated its first securitisation transactions. In the year under review Bremer Landesbank structured a securitisation for a credit portfolio with an initial volume of around € 2.145 billion from the asset classes Renewable Energies, Corporate Customers, Social Welfare Facilities, Commercial Real Estate and Ships. A guarantee with an initial volume of € 106 million with effect of 16 December 2015 was concluded with a private guarantor to hedge the credit risks contained therein. The contractual term of the guarantee is twelve years. The first loss tranche held by Bremer Landesbank totals € 10 million and has not been utilised to date.

6. Total Loan Volume (Art. 452e of the CRR)

Table 6 below shows the total loan volume of Bremer Landesbank, broken down by PD class (not including retail) in accordance with art. 452e of the CRR.

Table 6: Total loan volume by PD class (not including retail)

Risk exposure class 31.12.2015	Total of open credit commitments (in € m)	Position values (in € m)	of which open credit commitments	Ø PD (in %)	Position value weighted with PD (in € m)	Ø RW (in %)	Position value weighted with RW (in € m)
PD class 1: PD 0 % to <0.5 %							
Central governments or central banks	-	109	-	0.00	0	0.51	1
Banks	731	1,973	2	0.14	3	36.10	712
Companies	1,975	7,520	812	0.15	11	34.62	2,603
Investments	-	-	-	-	-	-	-
Total	**2,707**	**9,603**	**814**		**14**		**3,316**
PD class 2: PD 0.5 % to <5 %							
Central governments or central banks	-	-	-	-	-	-	-
Banks	46	114	0	1.79	2	129.07	147
Companies	868	3,635	342	1.84	67	104.60	3,802
Investments	-	-	-	-	-	-	-
Total	**914**	**3,749**	**342**		**69**		**3,949**
PD class 3: PD 5 % to <100 %							
Central governments or central banks	-	-	-	-	-	-	-
Banks	-	0	-	10.00	0	239.17	0
Companies	38	2,038	12	13.04	266	212.75	4,335
Investments	-	-	-	-	-	-	-
Total	**38**	**2,038**	**12**		**266**		**4,335**
PD class 4: Default – PD 100 %							
Central governments or central banks	-	-	-	-	-	-	-
Banks	19	8	-	100.00	8	0.00	0
Companies	77	3,280	46	100.00	3,280	0.00	0
Investments	-	-	-	-	-	-	-
Total	**95**	**3,288**	**46**		**3,288**	**0.00**	**0**
PD class 5: Total (excluding default)							
Central governments or central banks	0	109	0	0.00	0	0.51	1
Banks	777	2,087	2	0.23	5	41.18	860
Companies	2,882	16,450	1,166	2.09	344	65.29	10,741
Investments	0	0	0	-	0	-	0
Total	**3,659**	**18,646**	**1,168**		**348**		**11,601**

7. Structure of the Credit Portfolio (Art. 442 of the CRR)

Tables 7 and 8 show the total amount of position values by instruments bearing credit risks. Differentiations are made by industry group, region and contract residual term.

Table 7: Gross loan volume in the CRSA

(in € m)	Total gross loan volume	Average amount of the total gross loan volume in the reporting period
Central governments or central banks	92	59
Regional or local authorities	5,037	5,347
Public institutions	768	846
Multilateral development banks	40	40
International organisations	-	-
Banks	3,792	5,050
Companies	426	429
Companies – SMEs	3	2
Volume business	254	291
Volume business – SMEs	-	-
Risk positions collateralised with real estate	404	390
Risk positions collateralised with real estate – SMEs	1	1
Risk positions in default	9	9
Very high-risk risk positions	0	0
Mortgage bonds	-	-
Risk positions with banks and companies with a short-term credit rating	-	-
Collective investment undertakings (CIU)	-	-
Other risk positions	-	-

Table 8: Gross loan volume in the IRBA

(in € m)	Total gross loan volume	Average amount of the total gross loan volume in the reporting period
Central governments or central banks	109	107
Banks	2,968	3,094
Companies – SMEs	1,010	1,106
Companies – SMEs, SF	269	294
Companies – special finance	11,175	12,076
Companies – other	7,466	7,876
Volume business – of which collateralised with mortgages, SMEs	-	-
Volume business – of which collateralised with mortgages, SMEs SF	-	-
Volume business – of which collateralised with mortgages, not SMEs	-	-
Volume business – of which qualified, revolving	-	-
Volume business – of which other, SMEs	-	-
Volume business – of which other, SMEs, SF	-	-
Volume business – of which other, not SMEs	-	-
Other non-loan-dependent assets	139	139

Table 9: Gross loan volume by industry group in the CRSA

(in € m)	Manu-facturing	Energy, water supply and mining	Con-struction	Trade, mainte-nance and repairs	Agri-culture, forestry and fishing	Transport and communi-cations	Financial institutions/ insurance companies	Service indus-tries/ other	Total
Central governments or central banks	-	-	-	-	-	-	0	92	**92**
Regional or local authorities	-	-	-	-	-	-	-	5,037	**5,037**
Public institutions	-	39	2	-	-	28	142	557	**768**
Multilateral development banks	-	-	-	-	-	-	40	-	**40**
International organisations	-	-	-	-	-	-	-	-	**-**
Banks	-	-	-	-	-	-	3,792	-	**3,792**
Companies	3	15	15	11	4	133	140	105	**426**
Companies – SMEs	1	0	0	0	0	0	0	1	**3**
Volume business	2	0	1	2	5	1	1	242	**254**
Volume business – SMEs	-	-	-	-	-	-	-	-	**-**
Risk positions collateralised with real estate	3	1	7	4	4	3	2	380	**404**
Risk positions collateralised with real estate – SMEs	0	0	-	0	0	-	0	0	**1**
Risk positions in default	0	-	-	0	0	5	0	5	**9**
Very high-risk risk positions	-	-	-	0	-	-	-	0	**0**
Mortgage bonds	-	-	-	-	-	-	-	-	**-**
Risk positions with banks and companies with a short-term credit rating	-	-	-	-	-	-	-	-	**-**
Collective investment undertakings (CIU)	-	-	-	-	-	-	-	-	**-**
Other risk positions	-	-	-	-	-	-	-	-	**-**

Table 10: Gross loan volume by industry group in the IRBA

(in € m)	Manu-facturing	Energy, water supply and mining	Con-struction	Trade, mainte-nance and repairs	Agriculture, forestry and fishing	Transport and communi-cations	Financial institutions/ insurance companies	Service industries/ other	Total
Central governments or central banks	-	-	-	-	-	-	-	109	**109**
Banks	-	28	-	-	-	-	2,939	0	**2,968**
Companies – SMEs	158	86	57	186	45	156	135	187	**1,010**
Companies – SMEs, SF	71	21	28	59	7	18	7	58	**269**
Companies – special finance	-	4,199	129	0	5	6,384	121	337	**11,175**
Companies – other	865	371	391	1,395	143	860	1,050	2,390	**7,466**
Volume business – of which collateralised with mortgages, SMEs	-	-	-	-	-	-	-	-	**-**
Volume business – of which collateralised with mortgages, SMEs SF	-	-	-	-	-	-	-	-	**-**
Volume business – of which collateralised with mortgages, not SMEs	-	-	-	-	-	-	-	-	**-**
Volume business – of which qualified, revolving	-	-	-	-	-	-	-	-	**-**
Volume business – of which other, SMEs	-	-	-	-	-	-	-	-	**-**
Volume business – of which other, SMEs, SF	-	-	-	-	-	-	-	-	**-**
Volume business – of which other, not SMEs	-	-	-	-	-	-	-	-	**-**
Other non-loan-dependent assets	-	-	-	-	-	0	0	139	**139**

Table 11: Gross loan volume by region in the CRSA

(in € m)	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	92	-	-	-	-	-	-	-	**92**
Regional or local authorities	5,037	-	-	-	-	-	-	-	**5,037**
Public institutions	768	-	-	-	-	-	-	-	**768**
Multilateral development banks	-	-	-	-	-	-	-	40	**40**
International organisations	-	-	-	-	-	-	-	-	**-**
Banks	3,787	0	3	1	-	1	1	-	**3,792**
Companies	388	35	1	0	0	0	2	-	**426**
Companies – SMEs	3	0	-	-	-	-	-	-	**3**
Volume business	252	0	1	0	0	0	0	-	**254**
Volume business – SMEs	-	-	-	-	-	-	-	-	**-**
Risk positions collateralised with real estate	402	0	2	-	-	0	0	-	**404**
Risk positions collateralised with real estate – SMEs	1	0	-	-	-	-	-	-	**1**
Risk positions in default	6	3	0	-	-	0	-	-	**9**
Very high-risk risk positions	0	-	-	-	-	-	-	-	**0**
Mortgage bonds	-	-	-	-	-	-	-	-	**-**
Risk positions with banks and companies with a short-term credit rating	-	-	-	-	-	-	-	-	**-**
Collective investment undertakings (CIU)	-	-	-	-	-	-	-	-	**-**
Other risk positions	-	-	-	-	-	-	-	-	**-**

Table 12: Gross loan volume by region in the IRBA

(in € m)	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	7	102	-	-	-	-	-	-	**109**
Banks	2,383	214	308	58	-	-	4	-	**2,967**
Companies – SMEs	1,010	0	0	-	0	0	0	-	**1,010**
Companies – SMEs, SF	268	0	0	-	0	0	0	-	**269**
Companies – special finance	8,699	1,576	43	11	81	110	656	-	**11,175**
Companies – other	6,856	398	176	27	-	6	3	-	**7,466**
Volume business – of which collateralised with mortgages, SMEs	-	-	-	-	-	-	-	-	**-**
Volume business – of which collateralised with mortgages, SMEs SF	-	-	-	-	-	-	-	-	**-**
Volume business – of which collateralised with mortgages, not SMEs	-	-	-	-	-	-	-	-	**-**
Volume business – of which qualified, revolving	-	-	-	-	-	-	-	-	**-**
Volume business – of which other, SMEs	-	-	-	-	-	-	-	-	**-**
Volume business – of which other, SMEs, SF	-	-	-	-	-	-	-	-	**-**
Volume business – of which other, not SMEs	-	-	-	-	-	-	-	-	**-**
Other non-loan-dependent assets	0	0	-	-	-	-	139	-	**139**

Table 13: Contract residual term in the CRSA

(in € m)	less than 1 year	1 year to 5 years	more than 5 years indefinite	Total
Central governments or central banks	-	-	92	**92**
Regional or local authorities	787	1,028	3,223	**5,037**
Public institutions	26	49	693	**768**
Multilateral development banks	-	40	-	**40**
International organisations	-	-	-	**-**
Banks	98	258	3,436	**3,792**
Companies	73	50	302	**426**
Companies – SMEs	0	1	1	**3**
Volume business	5	17	232	**254**
Volume business – SMEs	-	-	-	**-**
Risk positions collateralised with real estate	5	35	363	**404**
Risk positions collateralised with real estate – SMEs	-	1	-	**1**
Risk positions in default	0	0	9	**9**
Very high-risk risk positions	-	0	0	**0**
Mortgage bonds	-	-	-	**-**
Risk positions with banks and companies with a short-term credit rating	-	-	-	**-**
Collective investment undertakings (CIU)	-	-	-	**-**
Other risk positions	-	-	-	**-**

Table 14: Contract residual term in the IRBA

(in € m)	less than 1 year	1 year to 5 years	more than 5 years indefinite	Total
Central governments or central banks	-	-	109	**109**
Banks	411	967	1,590	**2,968**
Companies – SMEs	160	117	734	**1,010**
Companies – SMEs, SF	14	19	236	**269**
Companies – special finance	1,340	1,354	8,480	**11,175**
Companies – other	879	1,270	5,317	**7,466**
Volume business – of which collateralised with mortgages, SMEs	-	-	-	**-**
Volume business – of which collateralised with mortgages, SMEs SF	-	-	-	**-**
Volume business – of which collateralised with mortgages, not SMEs	-	-	-	**-**
Volume business – of which qualified, revolving	-	-	-	**-**
Volume business – of which other, SMEs	-	-	-	**-**
Volume business – of which other, SMEs, SF	-	-	-	**-**
Volume business – of which other, not SMEs	-	-	-	**-**
Other non-loan-dependent assets	-	-	139	**139**

8. Risk Provisioning (Art. 442 and Art. 439 of the CRR)

At regular intervals, that is, as part of the regular credit control procedure, the exposures are inspected to ascertain the recoverability of Bremer Landesbank's claims or whether the repayment or return is fully or partially at risk. Further, a review is conducted on an ad-hoc basis when negative information about the borrower comes to light (early-warning indicators), e.g. the economic situation, the collateral values or the industry group environment as well when a reason for default (and connected to that the assignment of a default rating) is identified. Objective indicators that may result in a valuation allowance being needed include for example default or delay of more than 90 days in interest or redemption payments as well as significant financial difficulties on the part of the debtor.

For acute default risks relating to lending business reported in the balance sheet, when there are objective indications of a permanent loss in value, Bremer Landesbank makes specific valuation allowances. The valuation allowance is based on a present value analysis of expected interest and redemption payments as well as on proceeds from the realisation of collateral.

Bremer Landesbank addresses the latent counterparty risk of the unprovisioned balance-sheet business with non-banks by making lumpsum valuation allowances. Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

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

Tables 15 to 17 show the non-performing and in-default loans and advances without investment instruments and securitisations by industry group and region as well as the development of risk provisioning in the reporting period.

Three default-rating classes 16 to 18 taking into account the default criteria in accordance with art. 178 of the CRR are used to distinguish between past-due and impaired loans and advances. Rating grade 16 covers the default reasons payment default/past-due of more than 90 days and improbable repayment. Rating grade 17 comprises the default reasons restructuring/refinancing/ debt rescheduling and valuation allowance/partial write-down. Rating grade 18 includes default reasons rating-induced termination/repayment (German Savings Banks Association procedures only), full write-down/derecognition, sale of loans and advances with significant rating-induced loss and insolvency (application)/coercive measures.

In the rated CRSA and IRBA positions, all non-performing loans and advances fall under rating grades 17 and 18. All other loans and advances in default are accounted for under rating grade 16. Unrated CRSA positions of the exposure class overdue positions are allocated to the correct category using specific features. The position values are reported.

Table 15: Non-performing and in-default risk positions by industry group

(in € m)	Total impaired positions	Specific valuation allowances	Lumpsum valuation allowances	Provisions	Net allocation/ reversal of specific valuation allowances/ provisions	Direct write-offs	Additions to risk positions written off	Total of past-due positions (not including valuation allowances)
Manufacturing	33	27	-	0	-1	0	3	13
Energy, water supply and mining	39	25	-	3	5	-	-	213
Construction	20	14	-	1	0	-	-	16
Trade, maintenance and repairs	8	5	-	0	−1	-	-	25
Agriculture, forestry and fishing	3	2	-	0	1	-	-	17
Transport and communications	2,343	807	-	2	325	42	6	711
Financial institutions/ insurance companies	24	10	-	-	2	1	0	67
Service industries/ other	60	27	-	1	−4	0	1	199
Total	**2,531**	**917**	**41**	**8**	**327**	**43**	**9**	**1,262**

Table 16: Non-performing and in-default risk positions by region

(in € m)	Total impaired positions	Specific valuation allowances	Lumpsum valuation allowances	Provisions	Total of past-due positions (not including valuation allowances)
Germany	1,911	724	-	5	1,024
Other euro countries	387	133	-	2	128
Rest of Europe	8	4	-	0	51
North America	0	0	-	0	0
Central and South America	0	1	-	0	0
Middle East/Africa	57	20	-	0	0
Asia/Australia	167	35	-	1	60
Other	0	0	-	0	0
Total	**2,531**	**917**	**41**	**8**	**1,262**

Table 17: Development of risk provisioning

(in € m)	Opening balance for the period	Development in the period	Reversal	Utilisation	Changes due to exchange rates and other factors	Closing balance for the period
Specific valuation allowances	657	507	180	82	17	917
Provisions	8	2	2	-	0	8
Lumpsum valuation allowances	33	8	-	-	-	41

9. Use of Credit-risk Mitigation Techniques (Art. 453 of the CRR)

9.1 Equity-relieving Collateral (Art. 453 of the CRR)

As regards the consideration of equity-relieving credit-risk mitigation techniques, Bremer Landesbank is authorised by the Federal Financial Supervisory Authority (BaFin) to hold mortgage-based collateral, other IRBA physical collateral, guarantees and financial collateral in the form of cash deposits in accounts managed by Bremer Landesbank. The internal processes and the systems deployed guarantee that only collateral that satisfies all requirements under CRR relating to credit-risk-mitigation techniques is included.

Collateral is accepted by the Back Office handler dealing with the loan responsible in the individual case. After the evaluation, the handler collates all relevant data in the Bank's Collateral Management System (CMS). Collateral that is permitted to be included to minimise risk in accordance with the CRR (known as Basel II collateral) is then monitored and released by the Bank's central Collateral Management.

The Bank stores all documents required for legal certainty and implementability of the Basel II collateral with an external service provider. The original collateral documents are delivered in the course of the release of the Basel II collateral, again by the Bank's central Collateral Management.

Mortgage-based collateral comprises commercial and residential real estate. The valuation is usually performed by independent internal appraisers, and as and when required by external experts instructed by the Valuation Department. The market volatility concept of the German Banking Industry Committee is used for continuous monitoring of real-estate values. This is recognised as a statistical method in accordance with art. 208 para. 3 of the CRR. At three-yearly intervals, the value of properties included in the market volatility concept is materially reviewed by internal appraisers if the loan-to-value ratio of the property and the loans secured against the property exceed specified thresholds.

The category of other IRBA physical collateral includes ships and wind turbines for equity-relief purposes.

Ships need to be registered in a public register and meet certain requirements, e.g. marketability and age. For ships there is the additional requirement that they must have been built under the supervision of a recognised classification society and have a class certificate from a classification society recognised by the German Banking Industry Committee. The initial valuation and value review of ships is performed by independent internal appraisers of the Bank on the basis of external expert reports and has to be conducted at least once a year for recognition under regulatory law.

The location of a wind turbine is of key importance for its valuation. Before a wind turbine is built, the wind level is forecasted on the basis of external reports and monitored at least once a year in live operation by a comparison with the actual wind produced. The value of a wind turbine is calculated based on its earnings in conjunction with the statutory compensation for feeding electricity into the grid. In the case of significant deviations from forecast values, the value of a wind turbine is reassessed and the loan-to-value recalculated. In order for the Bank to be in a position to operate a wind turbine itself, the operator's principal rights at the location and from the feed-in contracts are usually assigned.

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. In this case the same rating rules apply as for all other borrowers. The main types of guarantors are public institutions and banks with excellent credit standing.

Risk concentrations from accepting guarantees are monitored in connection with the direct exposure of the guarantor. Guarantors with indirect commitments of € 1 million and more are listed in the quarterly Bremer Landesbank report "Concentration risks from guarantees". At the present time there is no risk concentration in this respect.

The financial collateral comprises cash deposits from customers which are held in accounts at Bremer Landesbank.

In accordance with art. 453 of the CRR, tables 16 and 17 contain an overview of the collateralised CRSA and IRBA position values for each exposure class. The specified position values are collateralised with reportable financial securities, guarantees and IRBA securities in accordance with art. 192 ff. of the CRR.

CRSA loans and advances collateralised with mortgages are recorded in the exposure class "Positions collateralised with real estate".

Table 18: Total amount of collateralised CRSA position values (not including securitisations)

Exposure class (in € m)	Financial collateral	Life insurance	Guarantees and credit derivatives
Central governments or central banks	-	-	-
Regional or local authorities	-	-	-
Public institutions	-	-	152
Multilateral development banks	-	-	-
International organisations	-	-	-
Banks	-	-	-
Debt securities	-	-	-
Companies	2	-	220
Volume business	0	-	0
Positions collateralised with real estate	-	350	-
Fund shares	-	-	-
Investments	-	-	-
Other positions	-	-	-
Items in default	-	2	-
Risk positions with banks and companies with a short-term credit rating	-	-	-
Very high-risk positions	-	-	-
Total	**2**	**352**	**372**

Table 19: Total amount of collateralised IRBA position values (not including securitisations)

Exposure class (in € m)	Financial collateral	Other/physical collateral	Guarantees and credit derivatives
Central governments or central banks	-	-	-
Banks	96	-	100
Other non-loan-dependent assets	-	-	-
Volume business	-	-	-
Investments	-	-	-
Companies	31	3,626	1,044
Total	**128**	**3,626**	**1,144**

9.2 Offsetting Agreements (Art. 453 of the CRR)

In order to reduce the counterparty risk within trading business, offsetting agreements for derivatives are used at Bremer Landesbank.

The offsetting agreements are bilateral offsetting agreements. Only standard master agreements (ISDA Master Agreement and German Master Agreement for Financial Forward Contracts (DRV)) are used. New ISDA Master Agreements and DRVs with foreign counterparties are entered into by the Legal Department for Bremer Landesbank. DRVs with German counterparties are entered into by the relevant division subject to guidelines from the Legal Department. The legal enforceability of the offsetting agreements in the different legal systems is reviewed by regularly obtaining legal opinions.

The contractual details and the configurations of the aforementioned legal opinions can be recorded in the special LeDIS standard application. This data management enables an automatic review of the individual derivative transactions for the recipients of this information, such as reports processing.

Offsetting agreements on monetary claims and non-product-specific offsetting agreements are not used.

Leverage Ratio (Art. 451 of the CRR).

On 1 January 2015 the obligation to disclose the leverage ratio calculated in accordance with art. 429 of the CRR began. At Bremer Landesbank the leverage ratio is calculated as at the reporting date at the end of each quarter on the basis of the original version of art. 429 of the CRR taking into account the option under art. 499 (2) and art. 499 (3). The following information on the leverage ratio for the reporting date was calculated and reported in accordance with the delegated act. The reference figures as at 30 June 2015 are still based on the report to be submitted under regulatory law.

Table 20: Summary comparison of balance sheet assets and the total exposure measure

Recognisable assets (in € m)		31.12.2015	30.06.2015
1	Total assets reported in the annual financial statements	29,065	31,100
2	Adjustment for investments that are consolidated for accounting purposes but are not part of the regulatory basis of consolidation	-	-
3	(Adjustment for trust assets that are reported in the balance sheet under applicable accounting guidelines but are excluded from the total exposure measure in accordance with art. 429 para. 13 of Regulation (EU) No. 575/2013)	−15	−39
4	Adjustments for derivative financial instruments	-	-
5	Adjustments for securities finance transactions (SFT)	-	-
6	Adjustment for off-balance-sheet transactions (i.e. conversion of the off-balance-sheet transactions into credit equivalence amounts)	2,723	3,367
EU-6a	(Adjustment for risk positions from intra-group loans and advances that are excluded from the total exposure measure in accordance with art. 429 para. 7 of Regulation (EU) No. 575/2013)	-	-
EU-6b	(Adjustments for risk positions that are excluded from the total exposure measure in accordance with art. 429 para. 14 of Regulation (EU) No. 575/2013)	-	-
7	Other adjustments	150	−100
8	**Leverage ratio total exposure measure**	**31,923**	**34,328**

Table 21: Leverage ratio

Risk-position values of the CRR leverage ratio (in € m)		31.12.2015	30.06.2015
Reported risk positions (excluding derivatives and securities finance transactions (SFT))			
1	Positions recognised in the balance sheet (not including derivatives, securities finance transactions (SFT) and trust assets but including collateral)	28,995	30,799
2	(assets deducted to calculate the Tier 1 capital)	−595	−630
3	**Total of reported risk positions (not including derivatives, securities finance transactions (SFT) and trust assets) (total of lines 1 and 2)**	**28,400**	**30,170**
Derivative risk positions			
4	Reacquisition costs for all derivative transactions (i.e. adjusted for eligible additional contributions received in cash)	349	463
5	Premiums for the potential future reacquisition value relating to all derivative transactions (market valuation method)	299	329
EU-5a	Risk-position value in accordance with the origination risk method	-	-
6	Additional sum of collateral issued for derivative transactions if these are deducted from the reported assets in accordance with the applicable accounting standards	-	-
7	(Deduction for additional payments received in cash for derivative transactions)	-	-
8	(Excluded risk positions for transactions invoiced for customers via a qualified central counterparty (QCCP))	−2	-
9	Adjusted effective nominal value of written credit derivatives	255	-
10	(Adjusted offsets of the effective nominal value and deductions of surcharges for issued credit derivatives)	−101	-
11	**Total derivative risk positions (total of lines 4 to 10)**	**800**	**792**
Risk positions from securities finance transactions (SFT)			
12	Gross assets from securities finance transactions (SFT; without recognition of netting), after adjustment for transactions posted as sales	-	-
13	(Offset sums of cash liabilities and receivables from gross assets from securities finance transactions (SFT))	-	-
14	Premium on the counterparty default risk from securities finance transactions (SFT)	-	-
EU-14a	Exception for securities finance transactions (SFT): premium on the counterparty default risk in accordance with art. 429b para. 4 and art. 222 of Regulation (EU) No. 575/2013	-	-
15	Risk positions from transactions performed as an agent	-	-
EU-15a	(Excluded risk positions for securities finance transactions (SFT) invoiced for customers via a qualified central counterparty (QCCP))	-	-
16	**Total risk positions from securities finance transactions (total of lines 12 to 15a)**	**-**	**-**
Other off-balance-sheet risk positions			
17	Off-balance-sheet risk positions at gross nominal value	5,562	5,585
18	(Adjustments for conversion to credit equivalence sums)	−2,839	−2.218
19	**Other off-balance-sheet risk positions (total of lines 17 and 18)**	**2,723**	**3,367**
Risk positions (reported and off-balance sheet) in accordance with art. 429 paras. 7 and 14 of the CRR.			
EU-19a	(Group-internal risk positions (individual basis) (reported and off-balance sheet) excluded in accordance with art. 429 para. 7 of Regulation (EU) No. 575/2013)	-	-
EU-19b	(Group-internal risk positions (individual basis) (reported and off-balance sheet) excluded in accordance with art. 429 para. 14 of Regulation (EU) No. 575/2013)	-	-
Equity and total risk position			
20	Tier 1 capital	1,487	1,352
21	**Leverage ratio total exposure measure (total of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**31,923**	**34,328**
Leverage ratio			
22	**Leverage ratio**	**4.66%**	**3.94%**
Application of transitional provisions and value of derecognised trust positions			
EU-23	Application of transitional provisions for the definition of the capital measure	Transitional provision	Transitional provision
EU-24	Value of derecognised trust positions in accordance with art. 429 para. 13 of Regulation (EU) No. 575/2013	15	39

Table 22: Breakdown of reported risk positions (not including derivatives, securities finance transactions (SFT) and excluding risk positions)

Risk-position values of the CRR leverage ratio (in € m)		31.12.2015	30.06.2015
EU-1	Total reported risk positions (not including derivatives, securities finance transactions (SFT) and excluding risk positions), of which:	28,995	30,799
EU-2	Risk positions from the trading book	86	94
EU-3	Risk positions from the investment book, of which:	28,909	30,706
EU-4	Mortgage bonds	72	49
EU-5	Risk positions that are treated as risk positions with central governments	5,871	6,412
EU-6	Risk positions with regional authorities, multilateral development banks, international organisations and public bodies that are NOT treated as risk positions with central governments	183	211
EU-7	Banks	4,866	6,323
EU-8	Collateralised against real estate via mortgages	1,806	2,313
EU-9	Risk positions from volume business	160	202
EU-10	Companies	11,078	12,281
EU-11	Items in default	2,628	2,669
EU-12	Other receivables classes (e.g. investment positions, securitisation risk positions and other assets that are not credit obligations)	2,246	247

Table 23: Disclosure of qualitative information

(in € m)		
1	Description of procedures for monitoring the risk of excessive leveraging	In the course of the capital planning process the internal and regulatory capital requirements are determined inter alia on the basis of the risk-bearing capacity concept. The current development and management of the leverage ratio is performed every three months and is embedded in the reports to the Management Board.
2	Description of the factors that impacted the disclosed leverage ratio during the reporting period	The leverage ratio, calculated in accordance with art. 429, was 4.66 per cent as at 31 December 2015 (30 June 2015: 3.94 per cent) based on the Tier 1 capital (capital measure) of € 1.487 billion (30 June 2015: € 1.352 billion) and the total exposure measure (total of risk-position values of all assets and off-balance-sheet items before risk minimisation) of € 31.923 billion (30 June 2015: € 34.328 billion). Risk positions (reported and off-balance sheet) in accordance with art. 36 are intangible assets deducted from the Common Equity Tier 1 capital. Significant changes in the leverage ratio were noted due to the issue of subordinated AT1 bearer debt securities. In financial year 2015 the leverage ratio of Bremer Landesbank is above the non-mandatory target value of 3 per cent set out by the Basel Bank Supervisory Committee in the paper “Basel III: leverage ratio framework and disclosure requirements” (BCBS 270) of January 2014.

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

as at 31 December 2015

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 article 13 (1) of the CRR.

NORD/LB CBB emerged from the merger of Norddeutsche Landesbank Luxembourg S.A. (hereafter “NORD/LB Luxembourg”) with NORD/LB Covered Finance Bank S.A. (hereafter “NORD/LB CFB”). Up to 31 December 2014 NORD/LB Luxembourg was the parent company of a Group which included NORD/LB CFB, Galimondo S.à.r.l., Luxembourg Skandifinanz AG, Zurich. NORD/LB Luxembourg held 100 per cent of the shares in all three subsidiaries.

For further information relating to the merger, please see the Annual Report of NORD/LB CBB.

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 2015.

The shares in Skandifinanz AG, Zurich, were sold in the first quarter of 2015 to Nord-Ostdeutsche Bankbeteiligungs GmbH, a company that is part of the NORD/LB Group.

In this report as at 31 December 2015, the Bank discloses the qualitative and quantitative information required in accordance with article 13 (1) of the CRR. This report does not include disclosures concerning the remuneration policy in accordance with article 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 article 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 article 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.nordlb.lu/de-de/Seiten/investor_relations/ueberblick/geschaeftsberichte.

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 2015, the Common Equity Tier 1 before regulatory adjustments of the Bank totals € 650 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 2015, retained earnings total € 445 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 € 21 million as at 31 December 2015. A large share of this is accounted for by deductions of € 14 million from intangible assets. A further € 6 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 2015, this totals € 629 million after the aforementioned regulatory adjustments.

NORD/LB CBB's Tier 2 capital (T2) before regulatory adjustments totalled € 45 million as at 31 December 2015. It comprised the following components:

- Two subordinated liabilities in foreign currency (nominal volume of $ 125 million), $ 60 million of which is due in June 2016 and $ 65 million in December 2017. Due to the residual-term-related deductions, eligible Tier 2 capital totalled € 29 million as at 31 December 2015. 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 article 62 et seq. of the CRR have been met.

- Positive amounts (totalling € 17 million) in accordance with article 62 (d) of the CRR.

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

As at 31 December 2015 the Bank's Common Equity Tier 1 capital ratio was at 15.21 per cent well above the regulatory requirement of 7 per cent. The regulatory capital ratio is also comfortable at 16.30 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 article 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	84	
Loans and advances to institutions	1 510	
Loans and advances to customers	6 769	
Risk provisioning	– 40	
Financial assets at fair value through profit or loss	1 287	
Profit/loss from hedge accounting	290	
Financial assets	5 846	
Property and equipment	67	
Intangible assets	14	3
Financial assets available for sale	–	
Current tax assets	0	
Deferred tax assets	1	
Other assets	3	
Total assets	**15 832**	

Liabilities	IFRS (in € million)	Reference
Liabilities to institutions	7 626	
Liabilities to customers	3 221	
Securitised liabilities	3 114	
Financial liabilities at fair value through profit or loss	205	
Profit/loss from hedge accounting	792	
Provisions	22	
Current income tax liabilities	4	
Deferred income tax liabilities	11	
Other liabilities	21	
Subordinated capital	115	2
Equity	700	
Subscribed capital	205	1a
Capital reserves	–	1b
Retained earnings	480	1c
Revaluation reserve	15	
Currency translation reserve	–	
Total equity	700	
Equity attributable to the shareholders	700	
Non-controlling interests	–	
Total liabilities	**15 832**	

Table 2: Reconciliation statement for regulatory capital

Reference	Basis as at 31 December 2015	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	445	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	650		–	
	Common Equity Tier 1: regulatory adjustments				
7	Additional valuation adjustments (negative amount)	– 6	Art. 34, 105 CRR	–	
8	Intangible assets (less corresponding tax liabilities) (negative amount)	– 14	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 2015	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 bis 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 2015	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)	– 21		–	
29	Common Equity Tier 1	629		–	
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	–		–	

Reference	Basis as at 31 December 2015	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
	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 Abs. 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 Abs. 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 2015	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)	629		–	
Tier 2 capital (T2): Instruments and reserves					
46	Capital instruments and the associated premium	29	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	17	Art. 62 (c) and (d) CRR	–	
51	Tier 2 capital (T2) before regulatory adjustments	45		–	
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 2015	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)	45		–	
59	Total capital (TC = T1 + T2)	675		–	
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 2015	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	4 140		–	
	of which: credit risk	3 908		–	
	of which: credit-risk-related valuation adjustment (CVA)	14		–	
	of which: market-price risk	4		–	
	of which: operational risk	214		–	
Equity ratios and buffers					
61	Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure)	15.21	Art. 92 (2) (a), 465 CRR	–	
62	Tier 1 capital ratio (expressed as a percentage of the total exposure)	15.21	Art. 92 (2) (b), 465 CRR	–	
63	Regulatory capital ratio (expressed as a percentage of the total exposure)	16.30	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)	10.71	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 2015	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)	17	Art. 62 CRR	–	
79	Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	18	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 The difference of € 35 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 € 115 million are only set at € 29 million under regulatory law as a subordinated liability is treated in accordance with article 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	3
Issuer	NORD/LB CBB	NORD/LB CBB	NORD/LB CBB
Standard identifier	no data	1058961	1059000
Law governing the instrument	Luxembourgish law	Luxembourgish law	Luxembourgish law
Regulatory treatment			
CRR transitional provisions	CET1	T2	T2
CRR provisions after the transitional period	CET1	T2	T2
Instrument type	Share capital	Subordinated loan	Subordinated loan
Amount eligible for regulatory capital	205	5	24
Nominal value of the instrument	205	55 (USD 60 million)	60 (USD 65 million)
Minimum tradable quantity	–	–	–
Issue price	100.00 %	100.00 %	100.00 %
Redemption price	–	100.00 %	100.00 %
Accounting classification	Subscribed capital	Liability – amortised cost	Liability – amortised cost
Original issue date	Various	8 Jun. 2001	27 Dec. 2002
Indefinite or with expiry date	Indefinite	Expiry date	Expiry date
Original due date	–	8 Jun. 2016	31 Dec. 2017
May be terminated by issuer with prior consent of the supervisory body	No	Yes	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	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	Variable
Nominal coupon and reference index as relevant	–	3-month USD LIBOR + 0.17 %	3-month USD LIBOR + 0.44 %
Dividend stop in place	Yes	No	No
Fully discretionary, partially discretionary or mandatory (regarding time)	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (regarding the amount)	Fully discretionary	Mandatory	Mandatory
Interest increase clause or another redemption incentive in place	No	No	No
Non-cumulative or cumulative	–	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible: trigger for conversion	–	–	–
If convertible: fully or partially	–	–	–

Main features of the capital instruments	1	2	3
If convertible: conversion rate	–	–	–
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	No	No	No
In case of write-down: trigger for write-down	–	–	–
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)	Subordinate to subordinated loans	Subordinate to insolvency creditors	Subordinate to insolvency creditors
Incorrect features of the converted instruments	No	No	No
Specify any incorrect features	no data	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 article 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 94.40 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 0.10 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. Therefore, these do not need to be backed by capital in accordance with article 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 2015, they account for 5.17 per cent of total RWA.

Capital requirements were calculated for credit-value-adjustment risk (CVA risk) in accordance with article 381 of the CRR. The Bank uses the standard approach for this purpose. It accounts for only 0.33 per cent of total RWA.

Table 4: Capital requirements, in € million

		Risk-weighted position value (in € million)	Capital requirements (in € million)
	1 Credit risks	**3 909**	**313**
	1.1 Credit risk – standard approach	**884**	**71**
1	Central governments or central banks	–	–
2	Regional governments and local authorities	–	–
3	Public-sector entities	261	21
4	Multilateral development institutions	–	–
5	International organisations	–	–
6	Institutions	141	11
7	Corporates	359	29
8	Retail	–	–
9	Risk positions collateralised with real estate	–	–
10	Past-due risk positions	0	0
11	Very high-risk connected exposures	–	–
12	Covered bonds	38	3
13	Secured by mortgages of immovable properties	–	–
14	Collective investment undertakings (CIU)	–	–
15	Other risk positions	85	7
16	**Total for credit risk – standard approach**	**884**	**71**
	1.2 IRB approaches	3 021	242
17	Central governments or central banks	212	17
18	Institutions	1 054	84
19	Corporates – SME	–	–
20	Corporates – specialized lending	34	3
21	Corporates – other	1 721	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**	**3 021**	**242**
	1.3 Securitisations	3	0
29	Securitisations under the CRSA approach	–	–
30	of which: re-securitisations	–	–
31	Securitisations under the IRB approach	3	0
32	of which: re-securitisations	–	–
	Total securitisations	**3**	**0**

		Risk-weighted position value (in € million)	Capital requirements (in € million)
	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**	**3 908**	**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	4	0
49	Standard approach	4	0
50	of which: interest-rate risks	4	0
51	of which: general and specific interest-rate risk (net interest position)	4	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**	**4**	**0**
	4. Operational risks	**214**	**17**
59	Basic-indicator approach	–	–
60	Standard approach	214	17
61	Advanced measurement approach	–	–
62	**Total operational risks**	**214**	**17**
63	**5. Total amount of risk positions for credit value adjustment**	**14**	**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**	**4 140**	**331**

2.4.2 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 5 to 12 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 5: Total amount of risk positions in CRSA, in € million

(in € million)	Total amount of risk positions	Average of total risk positions in the reporting period
Central governments or central banks	293	265
Public-sector entities	905	990
International organisations	397	375
Institutions	158	172
Corporates	1 425	1 531
Past-due positions	0	0
Covered bonds	189	149
Other risk positions	77	77
Total	**3 443**	**3 559**

Table 6: Total amount of risk positions in IRBA, in € million

(in € million)	Total amount of risk positions	Average of total risk positions in the reporting period
Central governments or central banks	2 286	2 076
Institutions	5 348	6 577
Corporates – specialized lending	609	539
Corporates – other	6 897	6 776
Securitisations	42	43
Investments	0	0
Total	**15 183**	**16 011**

Table 7: 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	–	–	–	–	–	–	20	273	293
Public-sector entities	–	–	–	–	–	–	–	905	905
International organisations	–	–	–	–	–	–	–	397	397
Institutions	–	–	–	–	–	–	158	–	158
Corporates	79	1	2	62	1	29	605	646	1 425
Past-due positions	–	–	–	–	–	–	–	0	0
Covered bonds	–	–	–	–	–	–	189	–	189
Other risk positions	–	–	–	–	–	–	77	–	77

Table 8: 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	–	–	–	–	–	–	391	1 895	2 286
Institutions	–	–	–	–	–	–	5 348	–	5 348
Corporates – special finance	–	8	129	–	–	166	117	189	609
Corporates – other	1 638	1 304	54	519	23	546	1 160	1 653	6 897
Securitisations	–	–	–	–	–	–	42	–	42
Investments	–	–	–	–	–	–	–	0	0

Table 9: 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	273	20	–	–	–	–	–	–	293
Public-sector entities	1	–	–	904	–	–	–	–	905
International organisations	–	–	–	–	–	–	–	397	397
Institutions	152	1	5	–	–	–	–	–	158
Corporates	718	334	38	267	0	9	–	59	1 425
Past-due positions	–	0	–	–	–	–	–	–	0
Covered bonds	–	189	–	–	–	–	–	–	189
Other risk positions	–	77	–	–	–	–	–	–	77

Table 10: 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	1 152	333	298	402	–	–	20	81	2 286
Institutions	1 756	1 519	1 464	444	14	2	149	–	5 348
Corporates – special finance	81	180	266	82	–	–	–	–	609
Corporates – other	5 316	381	228	842	–	–	130	–	6 897
Securitisations	–	42	–	–	–	–	–	–	42
Investments	–	0	–	–	–	–	–	–	0

Table 11: 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	20	30	243	293
Public-sector entities	21	62	822	905
International organisations	0	88	309	397
Institutions	21	134	3	158
Corporates	448	431	546	1 425
Past-due positions	0	0	–	0
Covered bonds	26	–	163	189
Other risk positions	77	–	–	77

Table 12: 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	316	934	1 036	2 286
Institutions	3 290	1 266	792	5 348
Corporates – specialized lending	144	155	310	609
Corporates – other	1 738	3 133	2 026	6 897
Securitisations	–	42	–	42
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 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.

To cover impairments which have occurred but have not yet been identified, a general loan loss provision is made. 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. Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

Irrecoverable loans of up to € 10,000 for which there is no specific loan loss provision are written off immediately. Payments received for written-off loans and advances 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 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 article 442 letters g and h of the CRR, Tables 13 to 15 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.

Table 15 shows the development of specific credit-risk adjustments in the period under review.

Table 13: Risk provisioning 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	52	–	——	–	0	–	–	–
Construction	0	0	——	–	0	–	–	0
Trade, maintenance and repairs	1	–	——	–	–	–	–	1
Agriculture, forestry and fishing	–	–	——	–	–	–	–	–
Transport, communications	0	–	——	–	–	–	–	0
Financial institutions/ insurance companies	17	–	——	–	–	–	–	–
Service industries/ other	48	18	——	–	2	–	1	1
Total	**141**	**36**	**25**	**0**	**2**	**–**	**1**	**20**

Table 14: Risk provisioning 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	99	36	——	0	20
Other euro countries	25	–	——	–	0
Rest of Europe	17	–	——	–	–
North America	–	–	——	–	–
Central and South America	–	–	——	–	–
Middle East / Africa	–	–	——	–	–
Asia / Australia	–	–	——	–	–
Other	–	–	——	–	–
Total	**141**	**36**	**25**	**0**	**20**

Table 15: 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	34	2	0	0	0	36
Provisions	1	0	– 1	0	0	0
GLLP	25	0	– 2	0	2	25

As at the reporting date, the risk provisioning of the NORD/LB CBB totals € 62 million. This is € 3 million more 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. They are therefore reviewed on a case-by-case basis as to whether the valuation appears to be justified based on the respective type of collateral and based on its legal and economic applicability in respect of the person of the borrower and the type of loan. If factors relevant to the assessment have changed, the assessment is adjusted accordingly.

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 € 2.4 billion as at 31 December 2015.

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 article 453 of the CRR. With derivatives, netting agreements are considered.

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

Table 16: Total amount of collateralised CRSA exposure values, in € million

Risk position class	Financial collateral	Mortgage liens	Guarantees and credit derivatives
Central governments or central banks	–	–	–
Public-sector entities	0	–	–
International organisations	–	–	–
Institutions	–	–	–
Corporates	227	–	726
Past-due positions	–	–	–
Covered bonds	–	–	–
Other risk positions	–	–	–
Total	**227**	**–**	**726**

Table 17: Total amount of collateralised IRBA exposure values, in € million

Risk position class	Financial collateral	Other / physical collateral	Guarantees and credit derivatives
Central governments or central banks	–	–	80
Institutions	1 374	–	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	76	–	2 640
of which: SME	–	–	–
of which: SME SF	–	–	–
Total	**1 450**	**–**	**2 890**

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

The implementing technical standards with regard to disclosure of the leverage ratio for institutions were finalised in the publication of the Implementing Regulation (EU) 2016/200 on 18 February 2016 in accordance with the Regulation (EU) No. 575/2013 of the Implementing Technical Standard (ITS) supplementing the CRR. The standard disclosure requirements should increase the transparency and comparability of leverage ratios. In the tables below for the disclosure of the leverage ratio, the provisions of the Implementing Regulation (EU) 2016/200 of 15 February 2016 were considered.

The leverage ratio was calculated in NORD/LB CBB as at 31 December 2015 based on article 1 of the Commission Delegated Regulation (EU) 2015/62 of 10 October 2014. This Delegated Regulation results in significant changes in the calculation of the total risk position variable of the leverage ratio in a revised CRR/CRD IV framework:

- Credit derivatives: The effective nominal value for written credit derivatives (nominal value reduced by all negatives changes in the fair value) included in Tier 1 capital is integrated in the leverage ratio total exposure measure. The amount can be reduced by the effective nominal value of a purchased credit derivative to the same reference name, if certain conditions have been met.

- Netting of subsequent payments: Subsequent payment received or paid in cash can be deducted from the leverage ratio total exposure measure, if certain conditions have been met.

- Securities financing transactions: Permission to net gross receivables from securities financing transactions with liabilities from securities financing transactions, if certain conditions have been met. In addition a markup for the net receivables from securities financing transactions has to be considered.

- Off-balance-sheet items: Off-balance-sheet risk positions are to be netted using the credit conversion factors from the standard approach for credit risk (0 per cent, 20 per cent, 50 per cent or 100 per cent depending on the risk category, with a lower limit of 10 per cent).

- Regulatory adjustments: Consolidation is limited to the regulatory basis of consolidation. The obligation to consolidate certain investments in companies in the finance sector that are consolidated under commercial law buy not under regulatory law no longer exists.

NORD/LB CBB is disclosing for the first time information on the leverage ratio as at 31 December 2015.

Table 18: Summary reconciliation of accounting assets and leverage ratio exposures

		Estimated value [1] 31 Dec. 2015 (in € million)
1	Total assets as per published financial statements	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	– 199
5	Adjustment for securities financing transactions (SFTs)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	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	–
8	**Leverage ratio total exposure measure**	**17 049**

[1] In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Table 19: Leverage ratio common disclosure

		Risk positions for the CRR leverage ratio[1] 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)	15 505
2	(Asset amounts deducted in determining Tier 1 capital)	–
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**15 505**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i. e. net of eligible cash variation margin)	92
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	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)**	**128**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	Counterparty credit risk exposure for SFT assets	–
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)**	**–**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1 555
18	(Adjustments for conversion to credit equivalent amounts)	– 139
19	Other off-balance sheet exposures (sum of lines 17 and 18)	1 416

		Risk positions for the CRR leverage ratio [1] 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	629
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**17 049**
Leverage ratio		
22	Leverage ratio	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
EU-24	Amount of derecognised fiduciary items in accordance with article 429 (11) of Regulation (EU) No. 575/2013	–

[1] In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Table 20: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

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

[1] In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

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.

As at 31 December 2015 NORD/LB CBB's leverage ratio in accordance with the Delegated Regulation was 3.69 per cent. Here a Tier 1 capital of € 629 million in relation to the total exposure measure of € 17.049 billion is considered.

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
SME	Small and medium-sized enterprises
SLLP	Specific Loan Loss Provision
T2	Tier 2 capital

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