NORD/LB
Die norddeutsche Art.

1765
1840
1915
1919
1970
1985
1992
Q3 2016

Always in motion.

Interim Report as at 30 September 2016

Finanzgruppe

NORD/LB at a Glance

Income Statement (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Net interest income	1 357	1494	– 9
Loan loss provisions	1 651	367	> 100
Net commission income	164	163	1
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	354	175	> 100
Profit/loss from financial assets	61	56	9
Profit/loss from investments accounted for using the equity method	– 18	6	> 100
Administrative expenses	835	815	2
Other operating profit/loss	– 47	– 77	– 39
Earnings before reorganisation and taxes	**– 615**	**635**	**> 100**
Reorganisation expenses	– 9	– 5	80
Earnings before taxes	**– 624**	**630**	**> 100**
Income taxes	112	91	23
Consolidated profit	**– 736**	539	**> 100**

Key figures (in %)	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Cost-Income-Ratio (CIR)	46,1%	46,3%	–
Return-on-Equity (RoE)	-10,4%	11,5%	> 100

Balance figures (in € million)	30 Sep. 2016 (in € million)	30 Sep. 2015 (in € million)	Change (in %)
Total assets	177 706	180 998	– 2
Customer deposits	57 136	60 597	– 6
Customer loans	106 081	107 878	– 2
Equity	7 548	8 513	– 11

Regulatory key figures	30 Sep. 2016 (in € million)	30 Sep. 2015 (in € million)	Change (in %)
Common equity tier 1 capital (in € million)	7 783	8 320	– 6
Tier 1 capital (in € million)	8 130	8 440	– 4
Tier 2 capital (in € million)	2 455	2 207	11
Own funds (in € million)	10 585	10 647	– 1
Total risk exposure amount (in € million)	63 857	63 675	–
Common equity tier 1 capital ratio (in %)	12,19%	13,07%	– 7
Total capital ratio (in %)	16,58%	16,72%	– 1

	Rating	Date of rating
Moody's	Baa1 / P-2 / ba3	26 Sep 2016
Fitch Ratings	A- / F1 / bb+	2 June 2016

Minor discrepancies in the calculation of totals and of percentages may arise in this report as a result of rounding.

Interim Group Management Report as at 30 September 2016

The Group – Basic Information

Business Modell

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

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

NORD/LB is a commercial bank, landesbank (federal state bank) and central bank for the savings banks operating in Northern Germany and beyond this core region, with domestic branches in Hamburg, Munich, Düsseldorf, Schwerin and Stuttgart. The foreign branches in London, New York, Shanghai and Singapore play a significant role in the Group, ensuring its presence in all the important financial and trade markets. As legally dependent business units, the branches pursue the same business model as NORD/LB.

- As the Landesbank for the federal states of Lower Saxony and Saxony-Anhalt, the Bank is responsible for fulfilling the functions of a central bank for the savings banks. The bank also handles development on behalf of the federal states through the Saxony-Anhalt development bank – institution of the Norddeutsche Landesbank Girozentrale – and through the Mecklenburg-Western Pomerania promotion institute business division of the Norddeutsche Landesbank Girozentrale – (LFI).
- NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony and is the partner for all of the savings banks based in those states. It also acts as a service provider for savings banks in other German federal states such as Schleswig-Holstein. NORD/LB provides all the services that the savings banks require for their activities.
- In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergies, reinforcing the customer divisions and bundling the service offerings. The NORD/LB Group comprises among others
- Bremer Landesbank Kreditanstalt Oldenburg – Girozentral, Bremen (hereinafter Bremer Landesbank),
- Norddeutsche Landesbank Luxembourg S. A., Covered Bond Bank, Luxembourg-Findel (hereinafter: NORD/LB Luxembourg),
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (hereinafter: Deutsche Hypo) and
- LBS Norddeutsche Landesbausparkasse, Berlin, Hanover (hereinafter: LBS).

The Bank also maintains additional investments as detailed in the Notes.

Strategic Development of NORD/LB

As part of the annual strategy process, NORD/LB as the parent company develops and reviews its strategic approach for the next five years together with its principal subsidiaries.

Based on the general economic environment, NORD/LD will continue to pursue its chosen course, with its proven customer-oriented business model and risk-conscious business strategy. At the core of its business model is the systematic focus of its business activities on the needs of customers and the continuous improvement of risk-adjusted profitability. A particular focus is on the increasing decoupling of revenue growth from total risk exposure and the safeguarding of refinancing. NORD/LB CBB continues to focus systematically on its customer business.

Further information on the strategy can be found in the Group Management Report as at 31 December 2015.

Control Systems

NORD/LB Group's control system is based on an annual process in which the strategic objectives are confirmed or revised by the Managing Board in the spring of each year. The process defines the default values for the following year's planning meeting, which is held in the autumn. The top-down, bottom-up planning is synchronised in the form of a bidirectional process and is agreed at the end of the year.

The key performance indicators are the return on equity (RoE) and, at business segment level, the return on risk-adjusted capital (RoRaC), the cost-income ratio (CIR) and earnings before taxes.

Return on equity (RoE)	Earnings before taxes / Long-term equity under commercial law Long-term equity under commercial law = reported equity – revaluation reserve – earnings after taxes
Return on risk- adjusted capital at segment level (RoRaC)	Earnings before taxes / committed capital of the higher of the total risk exposure amount limits and the amount called on
Cost-income ratio (CIR)	Administrative expenses / Total earnings Total earnings = Net interest income + Net commission income + Profit/loss from financial instruments at fair value through profit or loss + Profit/loss from hedge accounting + Profit/loss from investments accounted for using the equity meth-od + Other operating profit/loss

Risk Management

The NORD/LB Group's risk management and the corresponding structural and process organisation, the procedures implemented and methods of risk measurement and monitoring and the risks to the Group's development were presented in detail in the Annual Report 2015. This interim report therefore only describes significant developments in the reporting period.

Economic Report

General Economic and Industry-specific Environment

Economic Environment

Global economic growth remained moderate in the first three quarters of the year. In the US, the growth rate gained considerable momentum in the summer months after three rather weak quarters. Gross domestic product adjusted for prices and seasonal effects increased by 2.9 per cent from the previous quarter on an annualised basis according to the initial third-quarter estimate. Moreover, the situation in the US labour market has improved incrementally.

Economic growth in the eurozone remained moderate in the third quarter. As in the spring, real gross domestic product expanded by 0.3 per cent compared to the previous quarter. The annual rate remained constant at 1.6 per cent. This means that there was no decline in economic growth in the summer months, despite the Brexit vote, the direct impact of which was limited to a temporary increase in volatility in the financial markets. There were markedly different trends in individual countries, according to the data available at the time of publication. Growth in France remained slow. Following a slight decline in the spring, the country only managed to achieve growth of 0.2 per cent compared to the previous quarter. In Belgium, economic output also rose by only 0.2 per cent, while Spain (+0.7 per cent) and Austria (+0.5 per cent) posted strong growth rates compared to the previous quarter.

In Germany, the very high economic growth in the first half of the year (+2.3 per cent year-on-year) was followed by more moderate growth in the third quarter. At first glance, the third quarter got off to a surprisingly poor start, which was due to statistical distortions resulting from a pronounced holiday effect rather than any shock caused by Brexit. Following very weak July figures for both production and exports, August saw a powerful rebound. Despite strong July figures, construction output declined in August due to a rebound in finishing trades, but remains on an upward trend. The retail sector experienced stagnation over the summer compared to the previous quarter, with revenues falling by 1.4 per cent in September compared to the previous month. Private consumption therefore made only a moderate contribution to growth. In contrast, the positive trend in the labour market continued. The employment trend remained dynamic and there was a tangible increase in companies' willingness to recruit.

The financial markets initially reacted with shock to the outcome of the UK’s referendum on continued membership of the EU, in which the majority of the population voted to leave (“Brexit”). Following an initial phase of high volatility, the markets quickly stabilised, thanks in part to the willingness expressed by several central banks to intervene in a stabilising capacity if the need arose. Through its substantial monetary easing, the Bank of England had also signalled the challenging economic (and political) times the UK faces. Sterling was nonetheless unable to avoid a sharp depreciation, falling to its lowest level against the US dollar for over 30 years.

The European Central Bank’s monetary policy remains very expansionary. While, as had been anticipated, the ECB Council did not agree any changes in monetary policy at its October meeting, the central bankers did, however, confirm their forward guidance, in which they expected interest rates to remain at the current or even lower level for a extended period and far beyond the term of net asset purchases. The Federal Reserve remained cautious and to date has refrained from further monetary tightening in an uncertain environment. The US dollar initially benefited from the Brexit vote and the expectation of a slight rise in the interest rate in the near future, while the euro temporarily slipped against the US dollar to below the USD 1.10 mark. EUR/USD cross-currency basis swap spreads mostly moved sideways in the third quarter. In the middle maturity band, they hovered around the --45 basis point mark, deviating a little further in the long maturity band, where they intermittently fell below the --50 basis point mark for brief periods at the end of August. The spreads narrowed a little at the short end of the curve at the end of September, lingering briefly just above the --40 basis point mark.

Aircraft

According to the calculations of the International Air Transportation Organisation (IATA), global passenger numbers (RPK, revenue passenger kilometres) increased by 5.9 per cent in the first nine months of 2016 (year-on-year). The growth rates were 6.3 per cent for international traffic and 5.4 per cent for domestic traffic. There were clear geographical differences. Global passenger traffic in the Middle East (11.2 per cent), Asia/Pacific (8.7 per cent) and Africa (6.7 per cent) showed above-average performance. As a result of the terrorist attacks air traffic growth (in particular international traffic) in Europe . Since August PRK growth has picked up again. The effects of a stagnating global economy, geopolitical uncertainties and the aftermath of the terrorist attacks in Europe have to date had only marginal and temporary effects on the global growth of passenger traffic.

Following a weak start to the year, the growth in freight tonne kilometres (FTKs) sold has picked up again since May. In September year-on-year growth amounted to 6.1 per cent. Despite the prospect of a gradual recovery in the market, the air freight market continues to suffer the effects of the stagnation in global trade. The European air freight companies were the growth drivers, growing by 12.6 per cent compared with September 2015.

Shipping

The shipping markets continued to find themselves in a tense situation in the third quarter of 2016 and the individual sub-sector again developed along different trajectories. While the first months of the year were still characterised by the negative developments in dry bulk shipping, justified optimism in a trend reversal in the sector began to take hold. In contrast, the rally in the tanker sector came to an early end when prices in the global oil market bottomed out. It was, however, primarily the container industry that dominated the headlines. While the declining margins and poor earnings in this sector came as little surprise, the insolvency of an industry giant like the Korean company Hanjin was a setback that led to further turbulence.

Since the opening of the expanded locks on the Panama Canal at the end of the second quarter of 2016, the container sector has been in a state of profound upheaval. The Panamax-class ships, specially designed for what had been a trading route bottleneck and able to transport loads of up to 5,100 TEU, were rendered obsolete. The proportion of the global container fleet that is able of passing through this bottelneck has risen significantly since July 2016, which has further added to the considerable competitive pressure and has resulted in an rise of idle fleet numbers. The surprising demise of Hanjin led to short-term substitution effects, as the company's ships were withdrawn from the market in various ways due to the absence of legal certainty, but these short term effects. The winding up of this top shipping company has freed up additional tonnage, with the result that competitive pressure within the container sector has again increased.

In contrast, the third quarter of 2016 saw the dry bulk sector continuing to enjoy a slight recovery from the downturn. At 941, the Baltic Dry reached its highest level of the year in September, although this leading index fell back again at the end of the quarter. This development was driven by a temporary increase in demand for Capesize-segment ships, based in turn on increased Chinese iron ore imports. New orders for bulk tonnage capacity remained the exception, while the demolation figures declined during the summer.

Near constant high levels of deliveries combined with low levels of scrappage again led to increased competitive pressure in the tanker sector. OPEC statements about possible reductions in oil production further harmed the sector. Both rates and vessel prices continued to decline. The markets for product and gas tankers also eased somewhat during the reporting period.

Real Estate

Despite political and economic uncertainties, the global real estate markets were robust in the third quarter of 2016. The complex effects of issues such as the UK's plan to notify the EU by end of the year of its intention to leave the organisation and the US presidential election in November will only leave their mark in the medium term. The volume of global commercial real estate transactions amounted to around USD 165 billion in the third quarter of 2016, which represents a year-on-year decline of four per cent. In the period under review, the UK in particular recorded a 44 per cent fall in transaction volumes. Europe's zero-interest policy was also continued. Despite this, the pressure on yields due to a lack of alternative investment options continued to be observed in the European target markets in the third quarter. Nonetheless, the fundamental environment for real-estate investments in Europe remained positive. A welcome development was the transaction volume in Spain, which increased by 26 per cent compared with the third quarter of the previous year. The transaction volume in the German commercial real estate market in the last nine months amounted to around € 33 billion and hence was down 14 per cent year-on-year. The emphasis continued to be on office properties, which accounted for around 40 per cent. Germany has maintained its attractiveness to foreign investors.

Financial Sector

The European banking market has been in a state of constant flux for many years. This has been triggered by various external factors, in particular changes resulting from the financial market crisis, such as weaker economic growth, low interest rates and increasing regulation. In addition, the continuing digitisation of the economy is having an ever greater impact on the banking sector. Taken together, these factors have led to a reduction in the number of banks in the EU over the years.

Measured by loan volumes, market growth is modest, despite an increase in demand for loans and a moderate relaxation in lending standards. In addition, most European banking markets are highly competitive and therefore exhibit a very predatory competitive environment. European banks have limited growth potential, particularly given the pressure that the historically low interest rate environment exert on interest margins.

The European banks are currently pursuing varying policies to counter these changes to the economic environment, in particular the low interest rate environment. The majority of banks have made a start on restructuring their business models and segments. Few market participants are pursuing expansive strategies, which generally take the form of tapping into new markets and corporate acquisitions. Almost every bank is countering rising expenses and the increasing pressure of regulatory requirements with measures to improve cost structures and thereby increase efficiency.

These developments have a direct impact on the banks' long-term profitability and therefore their ability to absorb risks and build up capital reserves. These developments are counterbalanced by falling funding expenses, which particularly benefit banks in the hard-pressed banking markets on the periphery of the eurozone. The recovery in the economic environment in some of these markets is also linked to a decline in credit defaults.

As the supreme authority for the supervision of the European financial market, the ECB is ramping up its regulatory activities. As a result, and accompanied by numerous statutory amendments, including those attributable to the introduction of the Single Resolution Mechanism, the requirements regarding the maintenance of loss absorbing capacity (equity and debt instruments) will continue to increase.

Significant Events in the Financial Year

Capital Measures

NORD/LB has continued to bolster its regulatory equity over the past quarter. In addition, and against the background of the EU-wide supervisory regulations regarding the participation of a bank's creditors in its losses in the event of restructuring or insolvency (bail-in) that have applied since the start of 2016, subordinated loans have been taken out.

Particularly on account of high loan loss provisions in the shipping portfolio, NORD/LB publicly announced in May 2016 that it also expects to post negative earnings after taxes for 2016 as a whole both at individual institution level in accordance with the German Commercial Code (deutsches Handelsgesetzbuch – HGB) and at Group level (in accordance with IFRS), which will result in a reduction in Common Equity Tier 1.

As a consequence of such an earnings performance, the contractually agreed interest on the Bank's silent participations for 2016 would no longer apply. The resulting effects are reflected in the valuation of the silent participations as at the reporting date.

Elements of the silent participations were taken on by the special purpose vehicles, which refinanced the participations by issuing similarly structured listed bonds. These companies have also already publicly announced that the 2017 interest on the bonds, which is linked to NORD/LBs interest on the Bank's participations for 2016 is unlikely to apply.

Regulatory Requirements regarding Minimum Capital

In addition to the legally prescribed minimum capital ratios provided for under the CRR, since the start of 2016 the European Central Bank (ECB), as the supervisory authority responsible for NORD/LB at Group level, has required that an individual minimum capital ratio of 9.25 per cent be maintained in respect of Common Equity Tier 1 in accordance with the CRR methodology, taking into account the transitional provisions. This minimum ratio will rise to 9.75 per cent by the end of 2016 and includes the capital conservation buffer that has been a statutory requirement since the start of 2016.

In addition, in 2017 the Bank must also maintain a capital buffer for other institutions of systemic importance of 0.33 per cent.

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

The prerequisite for the completion of the corporate actions undertaken in 2011 and 2012 was a state aid assessment and authorisation of the actions by the European Commission. The authorisation of the corporate actions was based on a restructuring plan agreed by the Bank, its owners, the federal government and the European Commission in 2012. An independent trustee monitors the fulfilment of the commitments entered into.

Based on the commitment, which is valid until the end of 2016 at the latest, NORD/LB can continue to focus on pursuing its proven business model. Elements of the commitment were able to be successfully concluded in the current financial year.

NORD/LB, the Federal Republic of Germany and the European Commission agreed on the key points, which were the future focus of the Group's business segments on various focal points, a reduction of the Group total assets and optimisation of cost levels.

Efficiency Improvement Programme

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

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

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

In recent years further concrete measures were developed to improve NORD/LB's structures and processes and provisions were made for their implementation.

Bank Stresstest

The results of the Europe-wide bank stress tests were published this July. NORD/LB’s diversified business model again proved robust. Despite high charges resulting from the shipping crisis, the Bank’s performance was average for the German banking sector.

Furthermore, NORD/LB submitted the ECB’s transparency exercise survey in September, the results of which will be published in December.

IT Roadmap

NORD/LB’s IT is based on established standard industry practices. In large part it is provided alongside the Savings Banks Financial Group’s finance IT.

NORD/LB continuously invests in the updating and further development of its IT, in order to support its business processes optimally and cost-efficiently and fulfil the national, international and European regulatory requirements relating to IT. In financial year 2016 the focus is on consolidating significant elements of the IT infrastructure relating to finance IT, updating the loan IT systems and modifying the bank management systems.

UK's exit from the EU (Brexit)

In the EU membership referendum held on 23 June 2016, the UK voted to leave the European Union (EU). The withdrawal will mean that the UK will lose its free access to the Single European Market and the EU will lose a strong economic partner. It is not expected to have any significant impact on the portfolio of the NORD/LB Group, particularly the real estate business and ABS holdings.

Securing the future of Bremer Landesbank

An agreement in principle on the total acquisition of the already fully consolidated Bremer Landesbank (BLB) was concluded in the third quarter. Based on the legally binding agreements signed on 7 November, NORD/LB will acquire all the BLB shares held by the Free Hanseatic City of Bremen and the Savings Banks Association of Lower Saxony. The share acquisition is due to take effect on 1 January 2017 subject to the conditions precedent, including the approval of the German Federal Cartel Office, the revision of the state treaty and the approval of the Supervisory Board and Owners’ Meeting.

Report on the Earnings, Assets and Financial Position

(In the following, figures for the first six months of 2015, or up until 31 December 2015, are provided in brackets)

Earnings position

The NORD/LB Group's earnings before taxes amounted to € 624 million in the first nine months of the financial year. The figures for the income statement are summarised as follows:

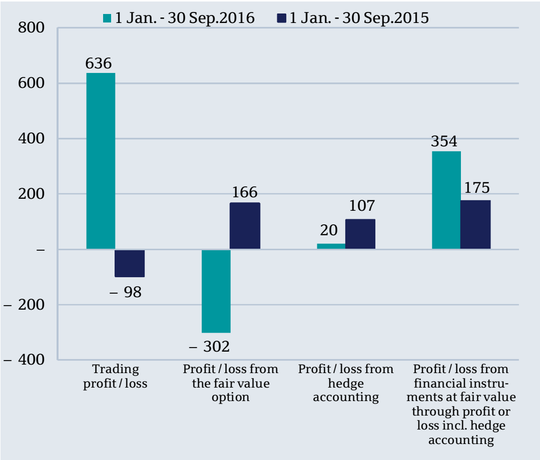
	1 Jan. - 30 Sep.2016 (in € million)	1 Jan. - 30 Sep.2015 (in € million)	Change (in %)
Net interest income	1 357	1 494	– 9
Loan loss provisions	1 651	367	> 100
Net commission income	164	163	1
Profit/loss from financial instruments at fair value through profit or loss fair value through profit or loss including Hedge Accounting	354	175	> 100
Profit/loss from financial assets	61	56	9
Profit/loss from investments accounted for using the equity method	– 18	6	> 100
Administrative expenses	835	815	2
Other operating profit/loss	– 47	– 77	– 39
Earnings before reorganisation and taxes	**– 615**	**635**	**> 100**
Reorganisation expenses	– 9	– 5	80
Earnings before taxes	**– 624**	**630**	**> 100**
Income taxes	112	91	23
Consolidated profit	**– 736**	**539**	**> 100**

Due to the ongoing low interest rates on the money and capital markets, **net interest income** declined by € 137 million to € 1,357 million year-on-year. The decrease in interest income of € 804 million has a greater impact on earnings than the reduction in interest expenses of € 667 million. On the earnings side, the decrease was particularly pronounced in interest income from the loan and money market business and from financial instruments at fair value. In 2015, securities holdings with high coupons were disposed of and fixed interest periods expired. Market conditions meant that reinvestments were on worse terms. The previous year was also positively impacted by higher than expected prepayment penalties; these have returned to normal levels in the current period. On the expenses side, the reduction of liabilities to customers at reduced interest expenses from lending and money market transactions was significant. In addition, changes in derivative volumes led to reduced interest expenses from financial instruments at fair value.

Expenses from **loan loss provisions** increased by € 1,284 million year-on-year to € 1,651 million. This effect is primarily attributable to the € 1,273 million increase in net allocations to specific valuation allowances, primarily in ship finance.

Net commission income remains at the previous year's level.

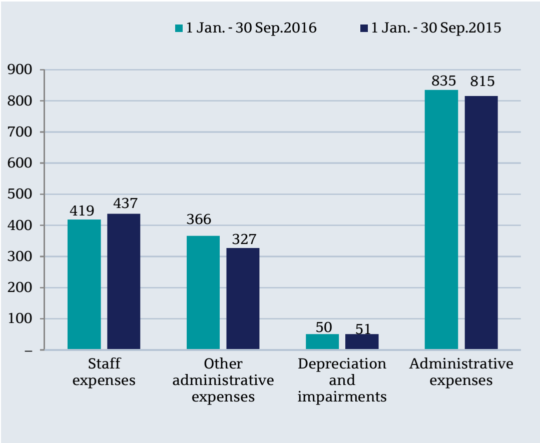
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting amounts to € 354 million and is up by € 179 million year-on-year. This effect is primarily attributable to increased trading income compared with the previous year, which overcompensates for the negative contributions from the fair value option and hedge accounting. The trading profit/loss was impacted by the positive trend of realised profit/loss and valuation gains/losses from registered bonds and promissory notes, as well as interest rate derivatives due to the fall in the EUR and USD interest rates compared with the previous year. The latter was also the factor behind the positive trend of the foreign exchange result. The decline in earnings from currency derivatives was due to the reduction in volume of cross currency swaps and the conclusion of new business at the current EUR/USD basis spread level. Profit/loss from the fair value option, which declined by € 468 million, was affected by inverse interest-driven effects. Profit/loss from hedge accounting amounted to € 20 million. The resulting change in the estimate of the interest distribution will minimise any mismatch in the profit/loss from hedge accounting resulting from the use of different methods of computations for the hedge amortised cost for hedges and underlying transactions.



Profit/loss from financial investments amounted to € 61 million and is thus up by € 5 million year-on-year. This is largely the result of an increase of € 11 million in profit/loss from available-for-sale (AfS) financial assets. Write-ups on securities that were written down last year were an earnings driver, resulting in a positive contribution to the overall result of € 93 million. In contrast, disposal losses fell by € 82 million.

Profit/loss from companies accounted for using the equity method amounted to € -18 million, down € 24 million year-on-year. This is largely the result of impairment losses on companies accounted for using the equity method.

Administrative Expenses rose by € 20 million year-on-year. In particular, this development was the result of the € 32 million rise in service expenses in connection with the continuous development of the IT roadmap and the € 12 million increase in consulting expenses. In contrast, allocation and provision expenses were reduced by € 12 million, which is attributable to the NORD/LB Group’s reduced expenses in relation to the landesbanks’ security reserves and its contributions to the ECB provision. Personnel expenses were down by € 18 million. The implementation of savings programmes more than compensated for the impact of wage increases.



Other operating profit/loss rose by € 30 million year-on-year and amounts to € -47 million. This is largely down to the reduced negative net effect from the redemption of registered bonds, promissory notes and issued debt securities. In addition, expenses associated with the EU bank levy were down by € 11 million to € 55 million.

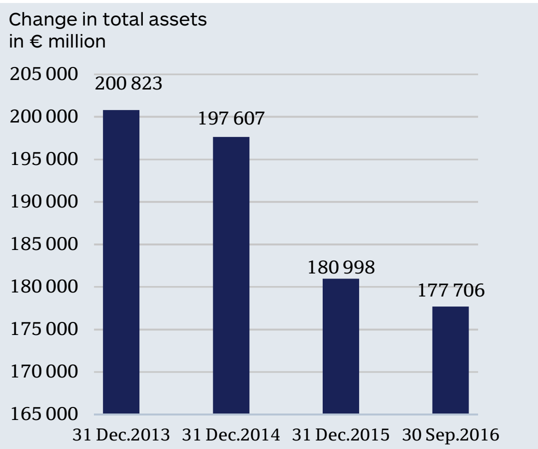
Reorganisation expenses in the amount of € -9 million include net allocations to reorganisation provisions for agreements already concluded at the reporting date concerning the termination of employment contracts.

The expenses for **income taxes** of € 112 million was primarily the result of provisions made for current income taxes at the foreign Group units and tax expenses for previous years.

Asset and financial position

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Loans and advances to banks	22 208	21 194	5
Loans and advances to customers	106 081	107 878	– 2
Risk provisioning	– 3 748	– 2 919	28
Financial assets at fair value through profit or loss	12 747	14 035	– 9
Positive fair values from hedge accounting derivatives	2 880	2 507	15
Financial assets	33 185	34 515	– 4
Investments accounted for using the equity method	291	290	0
Other assets	4 062	3 498	16
Total assets	**177 706**	**180 998**	– 2
Liabilities to banks	49 161	48 810	1
Liabilities to customers	57 136	60 597	– 6
Securitised liabilities	35 154	35 877	– 2
Financial liabilities at fair value through profit or loss	15 846	16 057	– 1
Negative fair values from hedge accounting derivatives	3 824	3 148	21
Provisions	2 931	2 428	21
Other liabilities	2 241	1 269	77
Subordinated capital	3 865	4 299	– 10
Reported equity including non-controling interests	7 548	8 513	– 11
Total liabilities and equity	**177 706**	**180 998**	**– 2**

Total assets fell slightly compared with 31 December 2015.



Loans and advances to banks rose by € 1,014 million year-on-year to € 22,208 million. This change was primarily the result of the increase in current receivables from money market transactions. The other receivables declined due to the reduction in the municipal loans portfolio.

Loans and advances to customers continued to be the most significant balance sheet item and remained unchanged at 60 per cent of the total (60 per cent). This item fell by € 1,797 million year-on-year, mainly due to the decrease in receivables from ship and aircraft mortgage loans. In contrast, there was an increase in receivables from money market transactions.

Loan loss provisions increased year-on-year by € 829 million to € 3,748 million, which was attributable to the increase in specific valuation allowances in ship finance.

Financial assets at fair value through profit or loss include trading assets and financial assets designated at fair value and, at € 12,747 million, are down by € 1,288 million year-on-year. Valuation and volume effects were responsible for this reduction.

As a result of the diminution in available-for-sale (AfS) financial assets forming part of the reduction in the total risk exposure amount, the **financial assets** portfolio was reduced by € 1,330 million year-on-year and now amounts to € 33,185.

Other assets include designated assets held for sale in the amount of € 32 million (€ 58 million).

Liabilities to banks rose by € 351 million year-on-year to € 49,161 million. The increase was mainly attributable to the increase in futures and repo transactions. Liabilities resulting from money market transactions declined.

Liabilities to customers were reduced by € 3,461 million year-on-year to € 57,136 million. The decline was primarily attributable to the diminished promissory note portfolio and reduced liabilities resulting from money market transactions and savings deposits.

Securitised liabilities were down slightly on the previous year at € 35,154 million. The decline is due in large part to redemptions of Public-Sector-Pfandbriefe and reductions in the money market instrument portfolio.

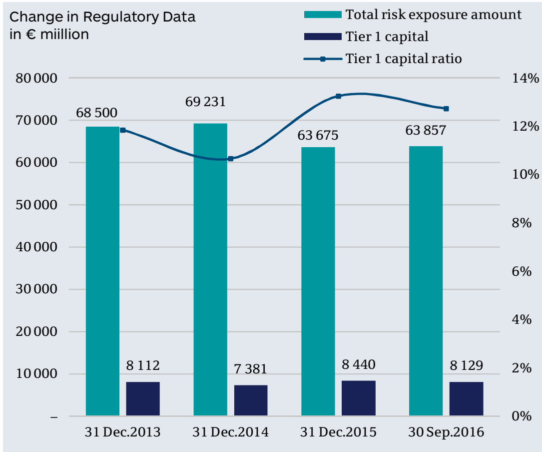
Liabilities at fair value through profit and loss include trading liabilities and designated financial liabilities reported at fair value and were almost unchanged year-on year.

Provisions increased by € 503 million to € 2,931 million and were attributable to the increase in interest-related net indebtedness from defined benefit plans.

Other assets include designated liabilities held for sale in the amount of € 10 million (€ 7 million).

Subordinated capital declined by € 434 million to € 3,865 million due to the revaluation of silent participations, repayments and exchange rate effects in USD-denominated capital.

The decline in **reported equity** of € 965 million to € 7,548 million was primarily due to the consolidated profit and changes in the revaluation of the net liability from defined benefit pension plans.



Overall assessment

The Bank has continued to perform satisfactorily in recent months. Nonetheless, the first nine months of the financial year continued to be burdened by higher-than-planned risk provisioning. Consequently, earnings before taxes amounted to -624 Mio € at the end of the third quarter.

Supplementary Report

The events described in Note (37) – Events after the reporting date – took place after the reporting date.

Forecast, Opportunities and Risk Report

General Economic Development

Global Economic Outlook

After only moderate growth in the first half of the year, the US economy was noticeably more dynamic in the second half of the year and is likely to achieve growth of approximately 1.5 per cent. This means that moderate but steady improvements in the labour market are likely. The Chinese economy is still in a phase of reconstructing its growth model. Economic growth is therefore likely to be slightly lower than in the previous year, notwithstanding the stable performance in the first three quarters. Despite the damage from the Brexit vote, the eurozone is set to continue its recovery in the second half and grows by 1.6 per cent over the full year. The economy of the single currency area has to date not experienced any immediate dampening as a result of the Brexit decision. Even in the UK, growth remained remarkably robust at 0.5 per cent during the summer. Average price levels in 2016 are only slightly higher than in 2015 and, despite an increase due to a base effect, will remain significantly below the ECB inflation objective of just under two per cent in 2017.

Economic Forecast for Germany and the Eurozone

German companies were noticeably more optimistic in October. The rise in the key early indicators suggest that the German economy is experiencing a golden autumn. The Ifo Business Climate Index again rose significantly in October to 106.1. The current situation was rated at 115.0 by the approximately 7,000 German corporate directors surveyed, which was somewhat up on the previous month. The business climate index, which is calculated on the basis of both components, was at its highest level since the start of 2014 at 110.5. There was also a perceptible increase in optimism among purchasing managers in industry and the service sector. At 55.1 in October, this signals the strongest growth since January 2014 for industry, while the service sector is also clearly expanding after a brief blip in the summer. The risk factors that have been the topics of much discussion in recent months (e.g. Brexit) have clearly failed to dent the good atmosphere prevalent in the German economy. The clearly improved mood is at least evidence that the unease caused by the Brexit vote has been overcome for the time being.
Moreover, not only is there an upturn, but it will gain considerable momentum by the end of the year. NORD/LB expects GDP growth of 1.9% for 2016 as a whole. This would mean that the forecast made last year of 2.0 per cent growth is likely to be proved accurate. This year notionally has an extra working day, but adjusting for this effect, the forecast anticipates real growth of 1.8 per cent.
The European Central Bank's monetary policy will remain expansionary for some time. As had been anticipated, the ECB Council did not agree any changes in monetary policy at its October meeting. The central bankers did, however, confirm the forward guidance, in which they expected interest rates to remain at the current or an even lower level for a prolonged period extending far beyond the term of net asset purchases. Fiscal policy is no longer restrictive throughout the entire currency area, but the need for consolidation is still very high in some areas, especially in southern Europe. There are also still significant risks in the form of an economic slowdown in China, geopolitical conflicts and the threat of global terrorism. The political conflicts within the EU (refugee issue, separatism, increased support for right-wing populist parties) could also endanger the EU's cohesion or at least its scope for making policy. As before, future developments in Greece are an ongoing uncertainty.

Financial Market Development and Interest-rate Forecast

In the absence of any economic or political shocks in the interim, it is likely that the US Federal Reserve will implement its long-deferred second interest rate hike in December. The most recent FOMC statement in November and the latest labour market data confirm the view that a hike in the Fed Funds Target Rate is possible and, indeed, probable in 2016. The situation in the US is therefore totally different to that pertaining in the eurozone. Given the background of the ECB's forward guidance, it is increasingly questionable whether there will be any substantial interest rate increases during Mario Draghi's term of office. We currently think that a turnaround on interest rates is most likely for the deposit facility rate and do not expect this to occur before 2019. According to Mario Draghi's statements following the October meeting, the asset purchase programme (EAPP) will continue until March 2017, or beyond if necessary, until there is a sustained adjustment in inflation. The speculation that arose at the start of October about a possible imminent reduction in monthly purchases (tapering) received no fresh impetus from Mario Draghi. This speculation is, in any case, based on what is a clear over- and misinterpretation of a Bloomberg report issued at the beginning of October.

The immediate reaction of the bond markets to the report was a sharp rise in yields – an indicator of their nervousness and a signal that exiting will be a difficult balancing act. The report is now seen as no more than a trial run and yields on Bunds have come back down again. It is too early to speculate about tapering, but in the absence of an economic crash, the ECB is likely to refrain from any further reduction in the interest rate. On the other hand, it is almost certain that the EAPP will undergo technical modifications, as the impending scarcity in some sub-markets could otherwise undermine the programme's credibility. Depending on how the technical purchase conditions are adapted, this would increase or reduce the scope for an extension beyond March 2017 and vary the effects on the interest rate structure. Mario Draghi's statements indicate that an extension of purchases beyond March 2017 seems very likely, initially at the same tempo. NORD/LB is therefore forecasting only a slow increase in capital market returns. For bonds with a ten-year maturity, a sustainable return to positive yields is expected over the coming year as a result of the gradual normalisation of inflation, sound growth figures and a slight increase in yields in the US. This does, however, depend on the likelihood of the ECB reducing the extend of its quantitative easing by the end of 2017.

The trend towards a different direction of monetary policy on either side of the Atlantic will tend to give another slight boost to the greenback. However, NORD/LB is anticipating a countermovement in the medium term, especially in the case of an apparent stabilisation of the upturn in the eurozone. Over 12 months, the USD is expected to return to USD 1.12/EUR. Volatility will, however, remain high this year. As regards EUR/USD basis swap spreads, over the short to medium term we expect continued sideways movement close to the most recent levels. Our econometric forecasting models indicate that the maturity curve should remain very flat.

Banking Market Development

The ongoing, if in most countries declining credit risks in the European banking market will entail further restatements and possible capital measures to ensure sustainable improvements.

Regulatory requirements will continue to increase. In particular, these include the provisions to ensure compliance with the liquidity and funding ratios (liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)) and the requirements regarding the maintenance of bail-in able liabilities and associated additional regulatory ratios (including minimum requirement for own funds and eligible liabilities (MREL) and, for global systemically important banks, Total Loss Absorbing Capacity (TLAC)).

The new supervisory review and evaluation process (SREP) may lead to higher capital adequacy requirements. Although the European banks have already contributed significantly to the stabilisation of the banking system, its sustainability was reviewed in the European Banking Authority's recent stress tests.

Shipping

The global economic development forecasts remain subdued. While the IWF left its outlooks for 2016 and 2017 unchanged in its latest October update, it was sceptical on growth expectations, particularly in the industrialised countries. Its forecast for the US underwent a slight downward revision, while that of the eurozone was marginally raised. Overall, there seems to be little indication of any growth in demand in the short term. There is disagreement on what will happen to global oil production. While OPEC has long been signalling its intention to restrict supply, little has actually been agreed to date. As a result, the likelihood is that oil prices will tend to remain flat in the final quarter of the year.

The container sector is currently focusing on consolidating the liner business. Following the mergers and acquisitions that have taken place this year, three new major alliances are expected as the 2017 peak season gets underway. In the meantime, however, the number of laid-up ships is likely to reach a new record towards the end of the year. Moreover, the order books indicate substantial increases in deliveries in 2017, particularly for large container ships. This means that competitive pressure and cascade effects will continue to be dominant themes for the foreseeable future. For the charter market in particular, this means that there is an urgent requirement to increase scrapping levels to at least maintain the foreseeable oversupply of tonnage at something approximating the current level. The combination of expected fleet growth and weak demand forecasts will leave little room for rate increases and therefore improved earnings in the sector.

Deliveries of tanker tonnage in 2016 have significantly increased year-on-year and will expand further in 2017, while the number of scrapped vessels is at the lowest level for 20 years. There will, however, be a decline in demand if oil prices increase. It is therefore likely that rates and prices will continue to fall.

The economic situation in China is looking more robust than had been anticipated. Despite the global glut of steel, China’s iron ore imports are expected to reach a new record high this year. This is attributable in part to Chinese steel producers increasingly making use of ores that are of higher quality than those produced domestically. Rising coal prices, on the other hand, are ramping up domestic production, which means that coal imports are likely to fall. Overcapacities and competitive pressure will continue to dominate bulk cargo shipping in the final months of 2016. Market participants’ current subdued order patterns in the bulker sector as a whole will only pay off in the medium term.

The cruise ship industry remains very popular, despite the shipping crisis. The shipyards have well-filled order books and passenger numbers are continuing to rise.

Aircraft

For 2016 IATA is expecting growth in global passenger traffic (RPK) of 6.2 per cent, far above the average 5.7 per cent growth of the past 10 years. It is also forecasting that global airlines will post higher net profits of USD 39.4 billion in 2016 (2015: USD 35.3 billion). This corresponds to a net margin of approximately 5.6 per cent (2015: 4.9 per cent). However, in light of a stagnating global economy, geopolitical tensions and the terrorist attacks in Europe, it is currently doubtful whether the IATA's predictions will actually materialise.

Regarding requested freight volumes (FTK), IATA continues to forecast a rise of 2.1 per cent, despite stagnating global trade and geopolitical developments. As in previous years, there are substantial geographical differences predicted in terms of the respective traffic and earnings trends. The largest growth in traffic (RPK) is predicted for the Middle East (11.2 per cent), Asia/Pacific (8.5 per cent) and Europe (4.9 per cent).

Real Estate

The cautious atmosphere in the global commercial real estate market will continue to the end of the year. A global investment volume of 10 per cent below that of the previous year is therefore forecast for the year as a whole. Nonetheless, the usual end-of-year activities mean that a 20 per cent quarter-on-quarter increase is expected in the fourth quarter. Activities on the European real estate markets will also be more subdued compared with the previous year. Furthermore, the uncertainties in the UK real estate market make Germany and France particularly attractive to foreign investors. For Germany, a transaction volume of up to € 50 billion is expected for 2016 as a whole. Under the current global market conditions, the German commercial real estate market will continue to develop in a stable manner over the medium term.

Extended Risk Report

Risk-Bearing Capacity

Risk capital utilisation in the management approach (going concern) relevant for the assessment is 56 per cent as at 30 September 2016, substantially above the utilisation of the comparison date as at 31 December 2015. The key driver is the decline in risk capital due to increased capital adequacy ratios from 2016 as a result of the Basel III transitional provisions and the recognition of anticipated losses for the 2016 financial year.

Regarding the external requirements, the risk-bearing capacity has been met up to a utilisation rate of 100 per cent. Moreover, the NORD/LB Group's internal regulations regarding the risk-bearing capacity model also take into account a risk-strategic capital buffer of 20 per cent. As a consequence, risk is managed, taking into account the internal maximum target of 80 per cent for utilisation for the going concern. As at the current reporting date, the figure is well below this internal maximum target.

Besides the going-concern approach, the gone concern and regulatory scenarios are also taken into consideration in the internal risk-bearing capacity calculation. The utilisation of risk capital in the going concern scenario can be found in the quarterly presentation of results of the NORD/LB Group's risk-bearing capacity calculation.

Risk-bearing capacity[1)] (in € million)	30 Sep.2016		31 Dec.2015	
Risk capital	**2 609**	**100%**	**4 723**	**100%**
Credit risk	996	38%	918	**19%**
Investment risk	100	4%	112	**2%**
Market-price risk	358	14%	262	**6%**
Liquidity risk	132	5%	157	**3%**
Operational risk	115	4%	95	**2%**
Other	– 252	– 10%	– 194	**-4%**
Total risk potential	**1 448**	**–**	**1 349**	**–**
Risk capital utilisation	**–**	**56%**	**–**	**29%**

1) Differences in totals are rounding differences.

The requirements of the Group risk strategy in respect of the maximum permissible limit utilisation at the level of the material risk types also continue to be met as at the reporting date of 30 September 2016. Of the material risk types (credit, investment, market-price, liquidity and operational risks), credit risks again account for the largest share of the total risk potential.

Credit Risk

The maximum default risk amount for on-balance sheet and off-balance sheet financial instruments fell over the course of 2016. This is due in particular to loans and advances to customers, financial assets, and financial assets at fair value through profit and loss.

Risk-bearing financial instruments[1] (in € million)	Maximum default risk 30 Sep.2016	Maximum default risk 31 Dec.2015
Loans and advances to banks	22 207	21 193
Loans and advances to customers	102 335	104 960
Adjustment item for financial instruments hedged in the fair value hedge portfolio	326	91
Financial assets at fair value through profit or loss	12 747	14 035
Positive fair values from hedge accounting derivatives	2 880	2 507
Financial assets	33 185	34 515
Sub-total	**173 680**	**177 301**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	13 608	13 735
Total	**187 288**	**191 036**

[1] Differences in totals are rounding differences.

The NORD/LB Group's total exposure is € 194 billion (€ 194 billion).

The quality of the NORD/LB Group's credit portfolio declined over the preceding part of 2016. The share of non-performing loans as at the reporting date was 4.8 per cent (4.7 per cent).

The Rating Structure table shows the breakdown of the total exposure in the NORD/LB Group by rating class and product type. The share of items in the rating category "Very good to good" remains at a high level at 76 per cent as at 30 September 2016 (76 per cent). This is explained in particular by the significance of business conducted with financing institutions and public authorities and is at the same time a reflection of the risk policy of the NORD/LB Group.

Rating-structure[1)2)] (in € million)	Loans 30 Sep.2016	Securities[3)] 30 Sep.2016	Derivates[4)] 30 Sep.2016	Other[5)] 30 Sep.2016	Total exposure 30 Sep.2016	Total exposure 31 Dec.2015
very good to good	92 539	30 799	8 978	14 798	147 114	146 321
good / satisfactory	13 422	937	454	1 337	16 150	13 902
reasonable / satisfactory	6 826	421	161	824	8 232	9 864
increased risk	5 049	411	140	389	5 989	7 654
high risk	1 646	27	48	175	1 896	3 173
very high risk	5 065	12	40	106	5 222	3 713
default (= NPL)	8 971	206	32	65	9 274	9 089
Total	**133 519**	**32 814**	**9 853**	**17 693**	**193 878**	**193 718**

[1)] Allocation is made based on the initiative for Germany as a financial location (IFD) rating classes.
[2)] Differences in totals are rounding differences.
[3)] Includes the securities holdings of third-party issues (only banking book).
[4)] Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.
[5)] Includes other products such as pass-through and administered loans.

The breakdown of total exposure by industry shows that business conducted with financing institutions and with public authorities accounts for 50 per cent (50 per cent) and still constitutes a significant share of the total exposure.

Industries[1)2)] (in € million)	Loans 30 Sep.2016	Securities[3)] 30 Sep.2016	Derivatives[4)] 30 Sep.2016	Other[5)] 30 Sep.2016	Total exposure 30 Sep.2016	Total exposure 31 Dec.2015
Financing institutes / insurance companies	30 874	15 488	4 113	8 157	58 633	56 778
Service industries / other	57 556	15 101	2 541	1 751	76 948	78 144
– Of which: Land, housing	18 828	8	645	417	19 897	19 583
– Of which: Public administration	21 672	14 906	1 198	152	37 928	40 316
Transport / communications	22 667	603	695	279	24 243	26 509
– Of which: Shipping	16 770	–	109	99	16 978	18 918
– Of which: Aviation	2 856	–	23	–	2 879	3 422
Manufacturing industry	5 749	767	772	264	7 552	6 904
Energy, water and mining	10 425	706	1 242	5 664	18 037	16 790
Trade, maintenance and repairs	3 950	100	337	205	4 591	4 619
Agriculture, forestry and fishing	800	–	9	1 296	2 105	2 015
Construction	1 497	49	144	78	1 769	1 958
Total	**133 519**	**32 814**	**9 853**	**17 693**	**193 878**	**193 718**

1) The figures are reported, as in the internal reports, by economic criteria.
2) To 5) please see the preceding Rating Structure table.

The breakdown of the entire credit exposure by region shows that the eurozone accounts for a high share of 81 per cent (81 per cent) of total exposure and remains by far the most important business region of the NORD/LB Group. Germany's share is 65 per cent (66 per cent).

Regions[1)2)] (in € million)	Loans 30 Sep.2016	Securities[3)] 30 Sep.2016	Derivatives[4)] 30 Sep.2016	Other[5)] 30 Sep.2016	Total exposure 30 Sep.2016	Total exposure 31 Dec.2015
Euro countries	107 773	25 736	5 531	17 597	156 637	157 146
– Of which: Germany	89 272	16 736	3 448	16 922	126 379	128 327
Other Europe	10 518	2 646	2 794	38	15 995	15 121
North America	7 047	3 118	950	16	11 131	10 446
Middle and South America	2 636	450	55	–	3 140	3 557
Middle East / Africa	1 173	–	11	42	1 226	1 250
Asia / Australia	4 372	865	512	–	5 749	6 198
Total	**133 519**	**32 814**	**9 853**	**17 693**	**193 878**	**193 718**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) To 5) please see the preceding Rating Structure table.

The exposure in Greece, Ireland, Italy, Portugal and Spain and in particular to financing institutions and insurance companies, was further reduced in the period under review and now amounts to € 6.8 billion (€ 7.1 billion). Their share in the total exposure remains at 4 per cent. The share of receivables owed by the respective countries, regional governments and municipalities is € 1.7 billion (€ 1.7 billion) and still accounts for 1 per cent of the total exposure.

Exposures in selected European countries [1)2)] (in € million)	Greece 30 Sep. 2016	Ireland 30 Sep. 2016	Italy 30 Sep. 2016	Portugal 30 Sep. 2016	Spain 30 Sep. 2016	Total 30 Sep. 2016
Sovereign Exposure	–	228	982	243	272	1 724
– Of which: CDS	–	209	–	197	–	407
Financing institutes / insurance companies	–	397	189	15	1 005	1 607
Corporates / Other	6	2 655	429	94	293	3 478
Total	**6**	**3 281**	**1 601**	**352**	**1 570**	**6 809**

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

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

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

The NORD/LB Group has an exposure of € 1.4 billion in Cyprus in the Corporates category. This primarily concerns a ship exposure whose economic risk lies outside of Cyprus. The NORD/LB Group does not have any sovereign exposure in Cyprus.

In Hungary, the NORD/LB Group has an exposure of € 170 million (€ 114 million sovereign exposure, € 51 million corporates and others, € 4 million financing institutions and insurance companies), in Russia it has an exposure of € 231 million (€ 143 million financing institutions and insurance companies, € 88 million corporates and others) and in Egypt € 60 million (corporates and others). The exposure in Argentina and Ukraine is of minor significance.

NORD/LB is also closely monitoring and analysing developments in the countries mentioned. However, the Group does not consider it necessary to make any further provisions at this stage. Further details can be found in the Notes to the Interim Report in Note (32) – Disclosures relating to selected European Countries.

Exposures in selected European countries by maturity [1)2)] (in € million)	Greece 30 Sep. 2016	Ireland 30 Sep. 2016	Italy 30 Sep. 2016	Portugal 30 Sep. 2016	Spain 30 Sep. 2016	**Total 30 Sep. 2016**
up to 1 year	–	–	76	–	148	**224**
more than 1 up to 5 years	–	228	349	243	92	**912**
more than 5 years	–	–	557	–	32	**589**
Total	**–**	**228**	**982**	**243**	**272**	**1 724**

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

Exposures in selected European countries by maturity [1)2)] (in € million)	Greece 30 Sep. 2015	Ireland 30 Sep. 2015	Italy 30 Sep. 2015	Portugal 30 Sep. 2015	Spain 30 Sep. 2015	**Total 30 Sep. 2015**
up to 1 year	–	–	11	–	16	**26**
more than 1 up to 5 years	–	231	366	244	130	**971**
more than 5 years	–	–	662	–	31	**693**
Total	**–**	**231**	**1 038**	**244**	**177**	**1 690**

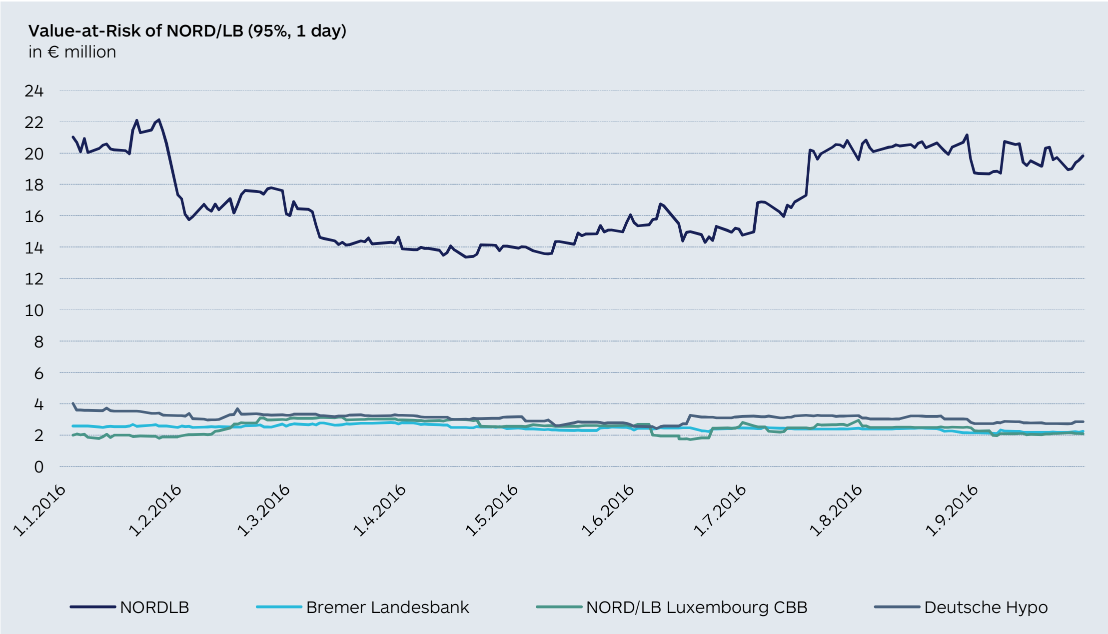
1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

In addition to direct exposure, the reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount) and the credit equivalents resulting from derivatives (including add-ons and in consideration of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral received by the NORD/LB Group are ignored.

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

Market-price Risk

An increased value-at-risk (VaR) of € 17 million was calculated for the NORD/LB Group as at 30 September 2016 (€ 15 million). The final figures are reported taking into account correlation effects. The historical simulation method was used throughout the Group. The VaR calculated on the basis of regulatory parameters (confidence level of 99 per cent and holding period of ten days) amounted to € 97 million in the NORD/LB Group as at 30 September 2016 (€ 83 million). The calculation of market price risks for the significant individual institutions from a risk point of view is always performed in accordance with the local accounting principles, i.e. only trading portfolio and liquidity reserve credit spread risks are included in the going concern scenario for the Group's institutions that prepare their financial statements according to the German Commercial Code (HGB). In the gone-concern scenario credit-spread risks are included regardless of the accounting method.



The VaR, which is calculated daily as an overall total of value-at-risk figures from the significant Group companies from a risk point of view (confidence level of 95 per cent and holding period of one day), fluctuated between € 21 million and € 30 million from the start of January to the end of September, with an average value of € 25 million. The NORD/LB AöR portfolios display the highest risks. The risk types are dominated by interest rate risks, including credit-spread risks. The positions to be included in the credit risk spread depend on the applicable accounting standard. The risks of the individual institutions reduced in the period under review, primarily as a result of changes in positions in the general interest rate risk. This effect cannot be observed at NORD/LB Group level due to correlation effects on the credit spread risk.

Market-price risks[1)]	Maximum		Average		Minimum		End-of year risk	
(in € million)	1 Jan. - 30 Sep. 2016	1 Jan. - 30 Sep. 2015	1 Jan. - 30 Sep. 2016	1 Jan. - 30 Sep. 2015	1 Jan. - 30 Sep. 2016	1 Jan. - 30 Sep. 2015	1 Jan. - 30 Sep. 2016	1 Jan. - 30 Sep. 2015
Interest-rate risk (VaR 95 %, 1 day)	32 928	35 395	26 582	30 295	21 870	24 022	17 043	15 335
Currency risk (VaR 95 %, 1 day)	2 182	2 552	1 312	1 870	856	839	419	558
Share-price and fund-price risk (VaR 95 %, 1 day)	3 450	3 148	2 713	2 425	1 429	1 346	2 259	2 076
Volatility risk (VaR 95 %, 1 day)	2 494	2 297	2 060	1 486	1 635	385	1 828	1 618
Other add-ons	132	142	92	60	67	–	84	108
Total	30 093	33 435	25 185	29 265	21 313	24 436	17 206	15 445

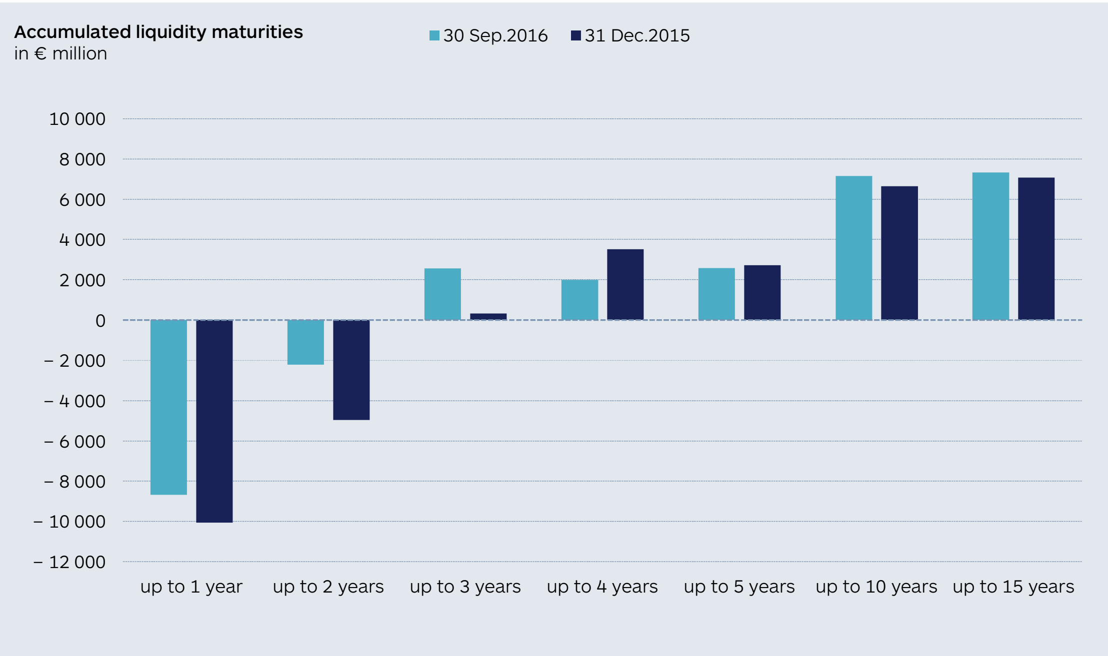
[1)] Maximum, average and minimum are calculated from the VaR totals of the subsidiaries which are significant for risk reporting, taking into account the accounting standards applicable to the respective individual institution; the final values are calculated for the NORD/LB Group in consolidated form in accordance with IFRS.

There was an improvement in the number of backtesting exceptions in the NORD/LB AöR in the reporting period. The remaining exceptions are primarily the result of basic risks, i.e. from fluctuations of varying degrees in the various swap curves within the same currency, which led to increased daily price fluctuations in the present value in Treasury. In the third quarter, these risks were integrated into the VaR model via a model change and the corresponding reserve position was released in the RTF model.

Liquidity Risk

The liquidity situation on the markets remained relaxed during the period under review, in particular as a result of the ongoing measures undertaken by the European Central Bank. Nevertheless, there continues to be risks from current global crises, particularly in the Middle East, as well as from the high levels of government debt in various EU countries and the continuing difficulties of European banks. As at 30 September 2016, the accumulated liquidity balance sheet showed significantly lower liquidity gaps in the maturity band up to two years compared to the end of the previous year. There was a slightly lower liquidity surplus in the maturity band up to three years and slightly higher liquidity surpluses were recorded in all other maturities. The liquidity gaps are all within the liquidity risk limits derived from the risk-bearing capacity model. During the course of 2016, the NORD/LB Group had sufficient liquidity at all times. At the NORD/LB Group level, the liquidity risk limits were always adhered to in the first nine months of 2016, both when taking all currencies into account and when taking the key individual currencies into account.

In addition, the NORD/LB Group operates in markets that are as liquid as possible and maintains a portfolio of high-quality securities. As at the reporting date, the companies that are the most important to risk are securities with a volume of € 40 billion (€ 41 billion), of which 81 per cent (81 per cent) were suitable for repo transactions with the European Central Bank and the US Federal Reserve (Fed).



The liquidity ratio pursuant to the Liquidity Regulation (LiqV) in the reporting period was always significantly higher than the regulatory minimum of 1.00. The liquidity stress tests used for internal management purposes indicate a sound liquidity situation for the NORD/LB Group as at the reporting date. The liquidity buffers were maintained for one week and one month, pursuant to the Minimum Requirements for Risk Management (MaRisk). The Liquidity Coverage Ratio (LCR) amounted to 107.62 per cent as at 30 September 2016 (100.7 per cent).

Liquidity ratio in accordance with the LiqV[1]	30 Sep.2016	30 Sep.2015
NORD/LB	2,04	1,77
Bremer Landesbank	3,28	1,95
Deutsche Hypo	2,11	1,50

[1] Legal requirements mean that NORD/LB Luxembourg does not have to determine a comparable key figure.

Operational Risk

The Group-wide limit on the reporting obligation for claims was increased from € 1,000 to € 5,000 as at 1 July 2016. The establishment of integrated OpRisk management was continued in the reporting period. There are no significant legal risks as at the reporting date that would place the existence of the bank at risk.

Overall Assessment

The difficult situation in the shipping markets is reflected in the financial results of the NORD/LB Group for the first three quarters of 2016. The cumulative earnings for the third quarter were dominated by higher-than-planned risk provisioning, primarily for ship financings but also in the Corporate Customer segment. The situation on the shipping markets has deteriorated noticeably since the fourth quarter of 2015, and there are no indications that a significant recovery will take place in the foreseeable future. Moreover, the adverse effects on risk provisioning resulting from the shipping crisis are forecast to remain very strong because of the market situation. In light of this difficult environment NORD/LB is undertaking efforts to reduce its ship portfolio and optimise the portfolio's diversification. This scale-back, however, cannot be realised without incurring losses. Because of these developments, NORD/LB anticipates that the NORD/LB Group will finish financial year 2016 with a considerably negative result. As a result will be a decline in the capital ratios expected, which nevertheless will remain on a sufficient high level in order to fullfil all regulatory requirements.

The Group's income, which remains stable based on its proven, customer-oriented business model with highly diversified sources of income, is forecast to be slightly higher on the previous year and is likely to come in far above plan. This encouraging performance is primarily attributable to two factors: better-than-planned central valuation effects in the profit/loss from financial instruments at fair value through profit or loss (due in part to the market trend for currency derivatives) and positive influences in net interest income.

The NORD/LB Group forecasts that its profit/loss from risk provisioning / valuation will be much worse than planned. Risk provisioning will once again be primarily affected by the ship portfolio. The profit/loss from financial assets, which will be positive because of valuation and realisation effects, will have only a marginal offsetting impact.

Administrative expenses will be slightly above the budgeted figures. This trend is primarily caused by the project portfolio, which is driven in part by regulatory requirements, and the corresponding incremental costs, which can be offset only partially. The CIR is forecast to be significantly better than planned due to considerably higher expected income amid just slightly increased administrative expenses. The forecasted ROE, on the other hand, is set to be negative and thus much worse than planned.

The total risk exposure, based on the current assessment in the updated forecast, is moderately below the planned level. The planning for the total risk exposure and the regulatory equity of NORD/LB for 2016 takes into account all relevant requirements for the regulatory capital base as derived from EU Regulation No. 575/2013 on Regulatory Requirements for Banks and Securities Firms (CRR) including transitional provisions.

The Bank's robust business model creates opportunities based on the expansion of the good market position with a stable customer base and broad risk diversification. In today's low interest environment, this basis offers promising opportunities to boost the Bank's income via the supply of alternative capital market products using increased cross-selling activities and greater measures to turn over the balance sheet. Initiatives to diversify and optimise further the loan portfolio will contribute as well. Moreover, the decline in external credit spreads creates opportunities for NORD/LB.

General opportunities and risks exist regarding regulatory requirements such as the stress test, further capital adequacy requirements, the effects of Brexit, the further development of the sovereign debt crisis and in connection with the trend in the USD/EUR exchange rate. There are likewise opportunities and risks in connection with the write-up or write-down of investments as well as in the implementation of bank-wide projects in the areas of IT and regulations.

Risks for the results of operations persist in 2016 because of several other reasons, including the ongoing phase of low interest rates, the fact that the unrestricted availability of long-term uncovered funding may not be permanent, and the unpredictability of market disruptions caused by political or economic developments, terrorist attacks and geopolitical tensions, particularly in Ukraine, Turkey and the Middle East.

The Bank's earnings performance in ship finance remains dominated by the shipping crisis. Unplanned insolvencies of ocean carriers and shipping companies as well as a worsening of charter rates can lead to deviations from the current forecast when risk provisioning is carried out.

Interim Consolidated Financial Statements as at 30 September 2016

Income Statement

	Notes	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Interest income		5 472	6 276	– 13
Interest expenses		4 115	4 782	– 14
Net interest income	**6**	**1 357**	**1 494**	**– 9**
Loan loss provisions	7	1 651	367	> 100
Commission income		259	237	9
Commission expenses		95	74	28
Net commission income	**8**	**164**	**163**	**1**
Trading profit / loss		636	– 98	> 100
Profit / loss from the fair value option		– 302	166	> 100
Profit / loss from financial instruments at fair value through profit or loss	**9**	**334**	**68**	**> 100**
Profit / loss from hedge accounting	10	20	107	– 81
Profit / loss from financial assets	11	61	56	9
Profit / loss from investments accounted for using the equity method		– 18	6	> 100
Administrative expenses	12	835	815	2
Other operating profit / loss	13	– 47	– 77	– 39
Earnings before reorganisation and taxes		**– 615**	**635**	**> 100**
Reorganisation expenses	14	– 9	– 5	80
Earnings before taxes		**– 624**	**630**	**> 100**
Income taxes	15	112	91	23
Consolidated profit		**– 736**	**539**	**> 100**
of which: attributable to the owners of NORD/LB		– 471	524	
of which: attributable to non-controlling interests		– 265	15	

Income Statement - Quarterly Overview

(in € million)	2016 3rd Quarter	2016 2nd Quarter	2016 1st Quarter[1]	2015 3rd Quarter	2015 2nd Quarter	2015 1st Quarter
Interest income	1 796	1 751	1 925	1 999	2 108	2 169
Interest expenses	1 368	1 281	1 466	1 505	1 609	1 668
Interest expenses	**428**	**470**	**459**	**494**	**499**	**501**
Loan loss provisions	648	568	435	157	106	104
Commission income	81	93	85	77	81	79
Commission expenses	34	30	31	25	25	24
Net commission income	**47**	**63**	**54**	**52**	**56**	**55**
Trading profit / loss	99	150	387	36	– 519	385
Profit / loss from the fair value option	– 54	– 115	– 133	27	441	– 302
Profit / loss from financial instruments at fair value through profit or loss	**45**	**35**	**254**	**63**	**– 78**	**83**
Profit / loss from hedge accounting	32	– 13	1	17	31	59
Profit / loss from financial assets	– 10	64	7	30	24	2
Profit / loss from investments accounted for using the equity method	– 11	–	– 7	65	– 59	–
Administrative expenses	263	275	297	253	278	284
Other operating profit / loss	121	– 32	– 136	3	– 3	– 77
Earnings before reorganisation and taxes	**– 259**	**– 256**	**– 100**	**314**	**86**	**235**
Reorganisation expenses	– 1	– 1	– 7	2	– 1	– 6
Earnings before taxes	**– 260**	**– 257**	**– 107**	**316**	**85**	**229**
Income taxes	70	56	– 14	67	– 49	73
Consolidated profit	**– 330**	**– 313**	**– 93**	**249**	**134**	**156**
of which: attributable to the owners of NORD/LB	– 208	– 188	– 75	237	128	159
of which: attributable to non-controlling interests	– 122	– 125	– 18	12	6	– 3

[1] Restatement of the reporting (see Note (3) Change in Estimates and Accounting Policies).

Statement of Comprehensive Income

The total comprehensive income of the NORD/LB Group consists of the income and expense recognised in both the income statement (IS) and in other comprehensive income (OCI).

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Consolidated profit	**– 736**	**539**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	– 481	203	> 100
Investments accounted for using the equity method – Share of other operating profit / loss	– 5	6	> 100
Deferred taxes	154	– 65	> 100
	– 332	**144**	**> 100**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions			
Increase / decrease from available for sale (AfS) financial instruments			
Unrealised profit / losses	148	– 52	> 100
Transfer due to realisation profit / loss	36	33	9
Translation differences of foreign business units			
Unrealised profit / losses	– 95	24	> 100
Investments accounted for using the equity method – Share of other operating profit / loss	42	– 35	> 100
Deferred taxes	– 20	– 1	> 100
	111	**– 31**	**> 100**
Other profit / loss	**– 221**	**113**	**> 100**
Comprehensive income for the period under review	**– 957**	**652**	**> 100**
of which: attributable to the owners of NORD/LB	– 675	628	
of which: attributable to non-controlling interests	– 282	24	

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Statement of Comprehensive Income - Quarterly Overview

(in € million)	2016 3rd quarter	2016 2nd Quarter	2016 1st Quarter [1]	2015 3nd Quarter	2015 2nd Quarter	2015 1st Quarter
Consolidated profit	**– 330**	**– 313**	**– 93**	**249**	**134**	**156**
Other comprehensive income which is not recycled in the income statement in subsequent periods						
Revaluation of the net liability from defined benefit pension plans	– 30	– 274	– 177	44	511	– 352
Investments accounted for using the equity method – Share of other operating profit / loss	6	– 6	– 5	11	5	– 10
Deferred taxes	9	88	57	– 15	– 162	112
	– 15	**– 192**	**– 125**	**40**	**354**	**– 250**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions						
Increase / decrease from available for sale (AfS) financial instruments						
Unrealised profit / losses	228	– 69	– 11	– 53	– 143	144
Transfer due to realisation profit / loss	24	7	5	4	11	18
Translation differences of foreign business units						
Unrealised profit / losses	– 90	9	– 14	– 1	– 14	39
Investments accounted for using the equity method – Share of other operating profit / loss	10	16	16	– 71	22	14
Deferred taxes	– 44	20	4	– 96	45	– 50
	128	**– 17**	**–**	**– 217**	**– 79**	**165**
Other profit / loss	**113**	**– 209**	**– 125**	**– 177**	**275**	**– 85**
Comprehensive income for the period under review	**– 217**	**– 522**	**– 218**	**72**	**409**	**71**
of which: attributable to the owners of NORD/LB	– 97	– 382	– 196	164	370	94
of which: attributable to non-controlling interests	– 120	– 140	– 22	8	39	– 23

[1] Restatement of the reporting (see Note (3) Change in estimates and accounting policies).

Balance Sheet

	Notes	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Cash reserve		1 073	872	23
Loans and advances to banks	16	22 208	21 194	5
Loans and advances to customers	17	106 081	107 878	– 2
Risk provisioning	18	– 3 748	– 2 919	28
Balancing items for financial instruments hedged in the fair value hedge portfolio		326	91	>100
Financial assets at fair value through profit or loss	19	12 747	14 035	– 9
Positive fair values from hedge accounting derivatives		2 880	2 507	15
Financial assets	20	33 185	34 515	– 4
Investments accounted for using the equity method		291	290	–
Property and equipment	21	571	573	–
Investment property		74	77	– 4
Intangible assets	22	145	149	– 3
Assets held for sale	23	32	58	– 45
Current income tax assets		32	37	– 14
Deferred income taxes		774	663	17
Other assets		1 035	978	6
Total assets		**177 706**	**180 998**	**– 2**

	Notes	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Liabilities to banks	24	49 161	48 810	1
Liabilities to customers	25	57 136	60 597	– 6
Securitised liabilities	26	35 154	35 877	– 2
Balancing items for financial instruments		1 375	753	83
Financial liabilities at fair value through profit or loss	27	15 846	16 057	– 1
Negative fair values from hedge accounting derivatives		3 824	3 148	21
Provisions	28	2 931	2 428	21
Liabilities held for sale		10	7	43
Current income tax liabilities		109	116	– 6
Deferred income taxes		124	87	43
Other liabilities		623	306	> 100
Subordinated capital	29	3 865	4 299	– 10
Equity				
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		1 752	2 493	– 30
Revaluation reserve		519	454	14
Currency translation reserve		– 10	– 9	11
Equity capital attributable to the owners of NORD/LB		**7 200**	**7 877**	**– 9**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		298	586	– 49
		7 548	**8 513**	**– 11**
Total liabilities and equity		**177 706**	**180 998**	**– 2**

Condensed Statement of Changes in Equity

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan.2016	**1 607**	**3 332**	**2 493**	**454**	**– 9**	**7 877**	**50**	**586**	**8 513**
Comprehensive income for the period under preview	–	–	– 739	65	– 1	– 675	–	– 282	– 957
Changes in the basis of consolidation	–	–	–	–	–	–	–	3	3
Other changes in capital	–	–	– 2	–	–	– 2	–	– 9	– 11
Equity as at 30 Sep.2016	**1 607**	**3 332**	**1 752**	**519**	**– 10**	**7 200**	**50**	**298**	**7 548**

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan.2015	**1 607**	**3 332**	**1 957**	**420**	**– 10**	**7 306**	**–**	**596**	**7 902**
comprehensive income for the period under preview	–	–	624	5	– 1	628	–	24	652
Transactions with the owners	–	–	– 131	–	–	– 131	–	–	– 131
Changes in the basis of consolidation	–	–	– 4	–	–	– 4	–	–	– 4
Other changes in capital	–	–	–	–	–	–	50	–	50
Equity as at 30 Sep.2015	**1 607**	**3 332**	**2 446**	**425**	**– 11**	**7 799**	**50**	**620**	**8 469**

The other changes in capital include reclassifications of reserves into loans and interest payments on issued additional Tier-1 bonds.

Condensed Cash Flow Statement

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**872**	**1 064**	**– 18**
Cash flow from operating activities	784	144	> 100
Cash flow from investing activities	– 8	208	> 100
Cash flow from financing activities	– 568	– 243	> 100
Total cash flow	**208**	**109**	**91**
Effects of changes in exchange rates	– 7	10	> 100
Cash and cash equivalents as at 30.9.	**1 073**	**1 183**	**– 9**

Please refer to the explanations in the Risk Report for further information regarding the management of liquidity risk in the NORD/LB Group.

The loss realised by one subsidiary during the reporting period includes the disposal of property and equipment in the amount of € 4 million. No consideration was obtained from the transaction.

Selected Notes

General Disclosures

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

The interim consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 30 September 2016 were prepared based on Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) as applicable in the EU. The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. National requirements contained in the German Commercial Code (HGB) under § 315a of the HGB were also observed insofar as these regulations are to be applied as at the reporting date for the interim financial statements. The interim consolidated financial statements are to be read in conjunction with the information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2015.

NORD/LB as a group under commercial law is referred to hereinafter as the NORD/LB Group. The interim consolidated financial statements as at 30 September 2016 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and selected notes. The segment reporting is included in the notes. The reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is provided mainly in a Risk Report within the Group Management Report. The reporting currency for the interim financial statements is the euro. All amounts are reported rounded in euro millions (€ million) unless indicated otherwise. The previous year's figures are shown hereafter in brackets.

These interim consolidated financial statements were signed by the Managing Board on 15 November 2016 and approved for publication.

(2) Accounting Policies

The accounting policies of the interim consolidated financial statements are based on those applied in the consolidated financial statements as at 31 December 2015 unless described otherwise in Note (3) Adjustment of Estimates and Accounting Methods.

The following standards and amendments to the standards requiring mandatory application as at 1 January 2016 were applied by the NORD/LB Group for the first time during the reporting period:

Amendments to IFRS 11 – Accounting for the Acquisition of an Interest in a Joint Operation

The amendments to IFRS 11 published in May 2014 set out how to account for the acquisition of an interest in a joint operation that is a business in the sense of IFRS 3. All of the principles defined in IFRS 3 or in other standards for the accounting of business combinations are to be applied to the acquired interest, and the corresponding disclosure requirements must be observed as well.

There are currently no circumstances in the NORD/LB Group to which the amendments to IFRS 11 apply.

Amendments to IAS 1 – Presentation of Financial Statements

The amended standard published on 18 December 2014 implemented the initial proposals under the IASB's initiative to improve disclosures in the notes. The amendments emphasise the concept of materiality to facilitate the communication of relevant information in IFRS-based financial statements. This will be achieved by waiving the requirement to disclose immaterial information, by allowing for the possibility of supplementary subtotals and by enabling greater flexibility in the structure of the notes. Furthermore, the breakdown of other comprehensive income (OCI) in the statement of comprehensive income has been clarified.

The amendments to IAS 1 do not have an effect on the interim consolidated financial statements of NORD/LB.

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

On 12 May 2014, the IASB published amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These amendments concern the acceptable methods of presenting appropriately the consumption of an asset's future economic benefit. It was clarified that for property, plant and equipment, depreciation based on the revenue of the goods generated by these assets is not appropriate, and that in the case of intangible assets with a limited useful life it is permitted only in explicitly specified exceptional cases.

As this depreciation method is not used in the NORD/LB Group, the amendments to IAS 16 and IAS 38 do not have any effects.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

The amendment to IAS 19 Employee Benefits that was published in November 2013 specifies the requirements associated with the allocation of employee contributions or third-party contributions to the periods of service if the contributions are linked to the period of service. Additionally, reliefs are created if the contributions are independent of the number of years of service.

The amendments to IAS 19 do not require an adjustment of NORD/LB's interim consolidated financial statements.

Improvements from the IFRS 2010 – 2012 Cycle and 2012 – 2014 Cycle under the IASB's annual Improvements Process

The IASB's Annual Improvements Process involves changes to the wording in individual IFRSs to clarify or improve existing regulations. The 2010 – 2012 cycle included amendments to the standards IFRS 2, IFRS 3, IFRS 8 and IFRS 13 as well as to IAS 16, IAS 24 and IAS 38. The 2012 – 2014 cycle included amendments to the standards IFRS 5 and IFRS 7 as well as to IAS 19 and IAS 34.

These annual improvements to IFRSs do not have an effect on NORD/LB's consolidated interim financial statements.

The NORD/LB Group has not applied early any standards, interpretations or amendments that have been published but whose application is not yet mandatory.

(3) Adjustment of Estimates and Accounting Methods

The interim financial statements as at 30 June 2016 included for the first time a measurement of silent participations reported in the subordinated capital of the NORD/LB Group in accordance with IAS 39.AG8. This accounting standard requires that the carrying amount of financial instruments that are not to be measured at fair value must be adjusted through profit or loss if there are changes in the estimates of the cash flows associated with the financial instrument. To determine the new carrying amount, the future interest and principle payments must be reassessed and discounted at the original effective interest rate.

The NORD/LB Group's silent participations that are subject to revaluation are measured at amortised cost. They feature a rate of return that is dependent on profit and participate in any loss for the financial year or accumulated net loss. The current profit forecasts for the NORD/LB Group indicate the estimated future cash flows of the silent participations deviate from their contractual cash flows. The change in estimate resulting from the application of IAS 39.AG8 has led to an adjustment in the value of the silent participations, which is reported in the income statement in the Group's net interest income (see Note (6) Net interest income).

When measuring the silent participations, estimates must be made based on assumptions that are regularly subject to estimation uncertainties. These uncertainties result from the profit forecast for the NORD/LB Group, which is necessary for the measurement. This forecast is significantly affected by economic trends. When new knowledge becomes known about previous assumptions underlying the profit forecast, this can lead in subsequent periods to adjustments in the value of the silent participations.

When modernising the subsidiary accounting used to account for financial instruments in accordance with IFRS, the following changes were made to accounting estimates in several Group companies for the first time as at 30 June 2016:

The change in value for hedging transactions in portfolio-fair-value hedges that results from the reduction in the residual duration and is not related to the hedged risk (hedge amortised cost) has been determined using the method applied to measure the hedge amortised cost of the underlying transaction. This measurement methodology is in contrast to the previous practice, which was based on the effective interest method. When determining the corresponding hedge amortised cost for underlying transactions in portfolio-fair-value hedges, the interest rate curve is rolled forward from the start of the period in a risk-free and arbitrage-free manner to the end of the period. This approach replaces the method until now of rolling forward the value in a straight-line manner from the start of the period until the end of the period. The change in the estimate of the interest distribution will avoid in the future a mismatch in the profit/loss from hedge accounting resulting from the use of different methods of computations for the hedge amortised cost for hedges and underlying transactions. Besides a shift between net interest income and profit/loss from hedge accounting, this new method of computation will affect the reconciling items for the financial instruments hedged in the portfolio-fair-value hedge, the revaluation reserve and the profit/loss from hedge accounting, and consequently the consolidated profit and total comprehensive income of the period.

Furthermore, the results in foreign currency for the interim consolidated financial statements are set in euros on a daily basis, instead of once a month at month-end as has been the method until now. The change in the estimate towards a daily setting of the rate will lead to a more precise fulfilment of the standard requirements regarding foreign currency translation. It will result in a shift between the foreign exchange result as reported in the trading profit/loss and other items of the income statement. Consolidated profit, however, will not be affected.

The effects of the above-mentioned changes in estimates on the current period can be determined to only a limited extent because the new subsidiary accounting has used the revised estimates regarding the distribution of interest and the setting of rates only since 1 January 2016, whereas the old subsidiary accounting with the previously applicable estimates was used only until 31 March 2016. The effects on future periods are not disclosed because it is impracticable to estimate these effects.

The following restatements in the income statement and the statement of comprehensive income resulted for the period from 1 January until 31 March 2016 from the changes in estimates:

1 Jan. - 31 Mar. 2016 (in € million)	Prior to adjustment	Adjustment Hegde Amortised Cost	Adjustment results from currency translation	After Adjustment
Interest income	1 911	10	4	1 925
Interest expenses	1 454	12	–	1 466
Net interest income	**457**	**– 2**	**4**	**459**
Trading profit/loss	391	–	– 4	387
Profit/loss from financial instruments at fair vlaue throug profit or loss	**258**	**–**	**– 4**	**254**
Profit / loss from hedge accounting	8	– 7	–	1
Consolidated profit	**– 84**	**– 9**	**–**	**– 93**
of which: attributable to the owners of NORD/LB	– 66	– 9	–	– 75
of which: attributable to non-controlling interests	– 18	–	–	– 18
Other comprehensive income	**– 110**	**– 15**		**– 125**
Comprehensive income for the period under review	**– 194**	**– 24**	**–**	**– 218**
of which: attributable to the owners of NORD/LB	– 172	– 24	–	– 196
of which: attributable to non-controlling interests	– 22	–	–	– 22

The following changes occurred in the balance sheet as at 31 March 2016:

31 Mar. 2016 (in € million)	Prior to adjustment	Adjustment Hegde Amortised Cost	After Adjustment
Balancing items for financial instruments hedged in the fair value hedge portfolio	253	3	256
Total assets	**181 904**	**3**	**181 907**
Balancing items for financial instruments hedged in the fair value hedge portfolio	1 142	27	1 169
Equity	**7 706**		
Retained earnings	2 325	– 9	2 316
Revaluation reserve	452	– 15	437
Total liabilities and equity	**181 904**	**3**	**181 907**

When modernising the subsidiary accounting used to account for financial instruments in accordance with IFRS, changes were made to the accounting policies in several Group companies as at 30 June 2016.

Structured derivatives are accounted for in the new subsidiary accounting on a unit basis instead of by component, as has been the case until now. As the components of structured derivatives are parts of a single legal transaction, the combined figure provides more relevant information. This change results in a decrease in total assets. There is no effect on consolidated profit, although there are reclassifications between individual line items in the income statement.

The effects from non-recurring payments related primarily to interest rate swaps and cross-currency swaps as well as non-recurring payments in connection with paid or received option premiums on caps and floors are subdivided in the new subsidiary accounting into an effect from amortisation and an effect from the change in fair value. This is a change on the previous practice of recognising the two together as a change in fair value. As the non-recurring payments are economically a correction to the profit/loss from current payments reported for these products, amortisation provides more relevant information. There are no effects on the balance sheet or consolidated profit. However, the reporting in the income statement is more precise between interest income, interest expenses and trading profit/loss.

Current interest payments from the legs of a swap are now netted in the new subsidiary accounting for reporting in the income statement, instead of the previous practice of reporting them on a gross basis. The net-based reporting of interest payments by derivative provides a better reflection of economic circumstances because for a single derivative no interest income is realised on the assets or no interest expenses are realised on liabilities. Instead, only interest payments related to the notional value of the derivative are exchanged. There is no effect on consolidated profit, although the reporting in the income statement is more precise between interest income and interest expenses.

When the purchase and/or sale of securities is not settled and the number of days between the trade date and the value date of the transaction is more than usual for the respective type of trading (such items are called false forward transactions in securities), the securities are reported in the balance sheet by class on a net basis. The receivables and liabilities from the securities transactions will continue to be reported on a gross basis if the requirements for netting in the balance sheet are not fulfilled. Net-based reporting provides a better reflection of economic conditions because in addition to the legal possibility of offsetting the two items, the actual intention to offset them now also exists as a result of the new technical capabilities. As there were no balances to report, no reclassifications were undertaken in the balance sheet as at 31 December 2015.

A retrospective determination of the above-mentioned effects on the income statement resulting from the change in accounting policies is not possible for the period from 1 January until 30 September 2015 because the new subsidiary accounting has processed transactions only since 1 January 2016.

The effects resulting from the change in accounting policies for the period from 1 January until 30 September 2016 are included in the following table. They affect solely the reporting.

1 Jan. - 30 Sep.2016 (in € million)	Prior to adjustment	Adjustment structured derivatives	Adjustment upfronts	Adjustment interest from swap	After Adjustment
Interest income	5 695	– 1	– 14	– 208	5 472
Interest expenses	4 325	– 1	– 1	– 208	4 115
Net interest income	**1 370**	**–**	**– 13**	**–**	**1 357**
Trading profit / loss	623	–	13	–	636
Profit / loss from financial instruments at fair value through profit or loss	**321**	**–**	**13**	**–**	**334**
Consolidated profit	**– 736**	**–**	**–**	**–**	**– 736**

The following reclassifications were made in the balance sheet as at 30 September 2016:

30 Sep.2016 (in € million)	Prior to adjustment	Adjustment structured derivatives	Adjustment unnatutal forward transaction in securities	After Adjustment
Financial assets at fair value through profit or loss	15 491	– 2 733	– 11	12 747
Financial liabilities at fair value through profit or loss	18 590	– 2 733	– 11	15 846

The respective restatements were also taken into account in the following notes: (6) Net Interest Income, (9) Profit/Loss from Financial Instruments at Fair Value through Profit or Loss, (19) Financial Assets at Fair Value through Profit or Loss, (27) Financial Liabilities at Fair Value through Profit or Loss, (30) Fair Value Hierarchy and (31) Derivative Financial Instruments.

(4) Basis of Consolidation

The interim consolidated financial statements include not only NORD/LB as the parent company but also 42 (31 December 2015: 42) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. In addition, 2 (31 December 2015: 2) joint ventures and 11 (31 December 2015: 12) associated companies have been recognised. 1 (31 December 2015: 1) associated company is designated as held for sale and is measured in accordance with IFRS 5.15 at the lower of the carrying amount and fair value less costs to sell. The joint ventures and the additional associated companies are accounted for using the equity method.

The basis of consolidation compared with 31 December 2015 has changed as follows:

The NORD/LB AM ARB EUROPE special fund that was newly founded in May 2016 has been fully consolidated as at 30 June 2016.

Happy Auntie S.A., which was previously a fully consolidated entity, and Deutsche Faktoring Bank GmbH & Co., which was accounted for as an associated company in accordance with IFRS 5, have been deconsolidated with effect as at 30 September 2016.

The effects resulting from the change in the basis of consolidation did not have a material influence on the net assets, financial position and results of operations of the NORD/LB Group.

Information on the subsidiaries, joint ventures and associated companies included in the interim consolidated financial statements can be found in Note (36) Basis of Consolidation.

Segment Reporting

The segment reporting provides information on the operational business segments of the Group. The segment reporting below is based on IFRS 8 Operating Segments, which follows the management approach. The segment information under IFRS is presented on the basis of internal reporting in the same way that it is regularly reported internally to assess performance and make decisions on the allocation of resources to the segments. The segment reporting includes a restatement of the prior-year's figures to reflect the new allocation key for general loan loss provisions that has been applied to the operating segments starting from 2016. The allocation of general loan loss provisions strengthens the holistic view of the risk provisioning of the business model. At the same time, this change in the methodology has decreased the costs in the Group Controlling / Others segment and thus increased the transparency of the results.

Segment Reporting by Business Segment

The segments are defined as the customer or product groups which reflect the organisational structures and therefore the internal management of the Group. The calculations are based on the internal data of Group companies. The internal management focuses on the operational units' earnings before taxes (EBT).

An important criteria for the formation of segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and the products demanded. There are no dependencies on individual customers. The product ranges offered in the segments are described in the disclosures below, and the earnings generated with these products are shown in the overview. The product range offered comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, as well as services such as account management, payment transactions, securities business, brokering, documentary business, loan processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated based on the market-interest-rate method. This process involves calculating the contribution from the interest rate conditions for each customer transaction by comparing the customer conditions with the maturity-congruent market interest rate for a fictitious comparable transaction applicable at the time the transaction is completed. This market interest rate is at the same time the cost rate for the Treasury Division's offsetting positions. As a result, interest income and interest expenses are not reported on a gross basis. The financing result from committed equity is allocated to the market segments.

The Bank allocates every interest-bearing customer transaction to the offsetting positions of the Treasury Division as the central planning division. There are no direct business relations between the market divisions in the Bank. Inter-segment earnings are therefore not included in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and allocated overhead costs. Risk provisioning is allocated to the segments based on actual costs incurred. In addition to specific valuation allowances, general loan loss provisions have also been reported here since 1 January 2016. The previous year's figures were restated accordingly.

Income related to the overall bank, such as profit/loss from hedge accounting and financial assets, is not allocated to the Bank's operational business segments. Instead, it is reported in the Group Controlling / Others segment.

The segment report includes not only figures from the income statement but also the total risk exposures to be allocated, segment assets and liabilities, committed capital as well as the metrics Cost-Income Ratio (CIR), Return on Risk-adjusted Capital (RoRaC) and the Return on Equity (RoE). The total risk exposures of the business segments show the risk-weighted assets (RWA) to be allocated in accordance with the European Capital Requirements Regulation (CRR) and the European Capital Requirements Directive IV (CRD IV), including shortfall equivalents, as averages in the reporting period. The total risk exposure amount for the Group shows the RWA in accordance with CRR / CRD IV as at the reporting date. The CIR is defined as the ratio between administrative expenses and the sum total of the following income items: net interest income, net commission income, profit/loss from financial instruments at fair value through profit or loss, profit/ loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

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

The committed capital in the segments is determined based on the average annual values. The reconciling amount between the committed capital reported in the business segments and the long-term equity in the Group in accordance with commercial law is included in the Reconciliations segment. A reconciliation of long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

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

Private and Commercial Customers

This segment includes business with private, individual, commercial and small-business customers as well as business with middle-market corporate customers in the Braunschweig region. The product range for the Private and Commercial Customers segment is based on the savings bank finance concept and comprises all of the usual banking services and products for account and lending business, savings and investment business, and the provision of internet banking and direct brokerage. Expanded services for wealthy private customers range from the integrated advisory approach of asset structure analysis, financial planning, asset succession to inheritance and foundation management. The product range also includes investment loans and start-up advice for the middle-market company business.

Corporate Customers

The Corporate Customers segment includes not only the entire NORD/LB business with corporate customers in the core regions (without the old Braunschweig region) and in the neighbouring regions but also in particular the Agricultural Banking and Housing Divisions.

The Bank is a full-service provider that offers banking products and services. Its services include traditional transaction management, tailored corporate financing, management of interest and currency risk, and solutions for company pension schemes. In addition, comprehensive solutions are developed in the segment for complex corporate financing needs and for the strategic positioning of corporate customers. Professional liquidity and risk management, the structuring of equity measures and innovative financing instruments supplement the product range.

Markets

The Markets segment covers the financial-market activities performed in Germany, the foreign branches and in the Group companies on behalf of customers. The Savings Bank Network Division covers transactions with the public sector, institutional business with associated savings banks and syndicated business transacted with associated savings banks.

The segment's offerings comprise alternative products detached from retail banking including derivatives, e.g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or timing of repayment (structured securities). The secondary business includes sales and trading with all kinds of securities. Tailored solutions for institutional customers, such as the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds, are likewise offered.

The product range also includes offerings which the savings banks request as direct customers for their own trading business or to complete their product range in their own business with private or corporate customers. Examples include private banking products, investment products such as open or closed funds (real estate, aircraft), and products for individual asset management or inheritance/foundation management.

The segments Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers offer – usually irrespective of the specific industry – traditional lending products, innovative products and financial engineering. This primarily concerns financing for specific purposes.

Energy and Infrastructure Customers

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

Ship Customers

The national and international activities of NORD/LB and Bremer Landesbank in ship finance are reported in this segment. The project needs of the customers reported in the Ship Customers segment are met with short to long-term financing, such as equity pre-financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships are financed through the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as swaps, options, futures or forward transactions complete the product range.

Aircraft Customers

NORD/LB'S national and international activities in aircraft finance are reported in this segment. The focus in aircraft finance is on the object-based financing of passenger aircraft produced by well-known manufacturers. The target customers – airlines and leasing companies – are offered not only NORD/LB Group's high expertise with core products but also tailored financing solutions. The segment also finances covered export business.

Real Estate Banking Customers

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

Group Controlling / Others

This segment covers all other performance data directly related to business activity, such as Group companies not included in the segments, components of income at the Group level which are not allocated to the segments, the profit/loss from financial instruments (in particular from central valuation effects) that is not reported in the business segments, profit/loss from financial assets and hedge accounting, projects covering the entire bank, consolidation items, profit/ loss from the management of interest rate exposure, disposition of balancing items, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation), and alternative investment products (Credit Asset Management). Other operating profit/loss includes the bank levy.

Reconciliations

This section shows two types of activity: the reconciling items between internal accounting and the consolidated figures in the income statement, and the reclassifications of profit and loss items that are reported differently in the internal reporting compared with the external reporting. The shortfall determined in the calculation of the regulatory capital requirement is converted into risk-weighted assets within internal reporting and assigned to the operational units; the resulting reconciling item versus the regulatory risk-weighted assets report flows into the reconciliation.

(5) Segment Reporting by Business Segment

30 Sep.2016 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	138	261	137	146	284	77	165	160	– 12	1 357
Loan loss provisions	–	82	–	29	1 590	1	– 7	– 40	– 4	1 651
Net interest income after loan loss provisions	**138**	**179**	**137**	**118**	**– 1 306**	**76**	**172**	**200**	**– 8**	**– 294**
Net commission income	43	49	63	68	19	13	3	– 49	– 44	165
Profit / loss from financial instruments at fair value through profit or loss	–	5	57	– 23	– 7	–	5	274	23	334
Profit / loss from hedge accounting	–	–	–	–	–	–	–	20	–	20
Profit / loss from financial assets	–	–	–	–	–	–	–	61	–	61
Profit / loss from investments accounted for using the equity method	2	–	–	–	–	–	–	– 19	– 1	– 18
Administrative expenses	135	107	101	72	80	20	47	273	–	835
Other operating profit / loss	– 8	1	2	1	1	–	–	– 20	– 25	– 47
Profit / Loss before reorganisation and taxes	**40**	**126**	**158**	**92**	**– 1 372**	**70**	**132**	**195**	**– 56**	**– 614**
Reorganisation expenses	–	–	–	–	–	–	–	– 9	–	– 9
Earnings before taxes (EBT)	**40**	**126**	**158**	**92**	**– 1 372**	**70**	**132**	**185**	**– 56**	**– 624**
Taxes	–	–	–	–	–	–	–	–	112	112
Consolidated profit	**40**	**126**	**158**	**92**	**– 1 372**	**70**	**132**	**185**	**– 167**	**– 735**
Segment assets	7 265	22 876	38 005	16 619	18 546	7 721	14 695	54 719	– 2 740	177 706
of which: from investments accounted for using the equity method	44	–	–	–	–	–	–	247	–	291
Segment liabilities	7 138	8 224	46 619	3 411	3 207	695	460	107 760	191	177 706
Total risk exposure amount	4 219	12 759	4 466	7 842	22 585	4 887	5 768	6 591	– 5 260	63 857
Capital employed[1]	380	1 148	399	706	2 029	440	519	1 275	1 114	8 010
CIR	77,0%	33,9%	38,8%	37,2%	27,0%	21,9%	27,5%	0,0%	0,0%	46,1%
RoRaC / RoE[2]	13,7%	13,5%	45,9%	15,3%	-78,8%	21,1%	23,9%	0,0%	0,0%	-10,4%

30 Sep.2015 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	155	250	159	145	315	86	176	151	57	1 494
Loan loss provisions	2	–	–	21	357	– 1	– 6	2	– 8	367
Net interest income after loan loss provisions	**153**	**250**	**159**	**124**	**– 43**	**87**	**182**	**150**	**65**	**1 127**
Net commission income	45	45	47	47	28	13	1	– 38	– 23	164
Profit / loss from financial instruments at fair value through profit or loss	–	11	22	3	2	2	3	67	– 42	69
Profit / loss from hedge accounting	–	–	–	–	–	–	–	107	–	107
Profit / loss from financial assets	–	–	–	–	–	–	–	60	– 5	56
Profit / loss from invest ments accounted for using the equity method	2	–	–	–	–	–	–	3	1	6
Administrative expenses	141	111	106	72	86	18	49	222	9	815
Other operating profit / loss	– 8	1	4	3	– 1	– 1	1	– 50	– 26	– 77
Profit / Loss before reorganisation and taxes	**52**	**195**	**125**	**104**	**– 100**	**83**	**138**	**76**	**– 39**	**635**
Reorganisation expenses	–	–	–	–	–	–	–	– 5	–	– 5
Earnings before taxes (EBT)	**52**	**195**	**125**	**104**	**– 100**	**83**	**138**	**71**	**– 39**	**630**
Taxes	–	–	–	–	–	–	–	–	91	91
Consolidated profit	**52**	**195**	**125**	**104**	**– 100**	**83**	**138**	**71**	**– 130**	**539**
Segment assets	7 343	22 407	38 472	16 772	21 273	8 260	15 193	51 716	– 439	180 998
of which: from investments accounted for using the equity method	45	–	–	–	–	–	–	245	–	290
Segment liabilities	7 457	9 003	48 100	3 599	4 585	763	469	103 588	3 434	180 998
Total risk exposure amount	4 223	12 196	5 068	8 029	31 761	5 123	6 927	14 190	– 22 094	65 425
Capital employed[1]	380	1 098	448	723	2 859	461	623	1 815	– 1 081	7 325
CIR	72,4%	36,3%	45,9%	36,5%	25,0%	18,2%	27,1%			46,3%
RoRaC / RoE[2]	16,4%	20,8%	37,0%	17,9%	-4,6%	23,9%	20,5%			11,5%

(in € million)	30 Sep.2016	30 Sep.2015
Sustainable relating to german local GAAP equity	8 010	7 325
Revaluation reserve	519	425
Consolidated profit	– 981	719
Financial equity	**7 548**	**8 469**

[1] Reconciliation of long-term equity under commercial law to reported equity.
[2] RoRaC at the business level:
(earnings before taxes * 4) / committed core capital
(9 per cent (9 per cent) of the higher value of the limit and the utilisation of the total risk exposure amount)
RoE at the company level:
(earnings before taxes * 4) / long-term equity under commercial law (= reported equity – revaluation reserve – earnings after taxes).

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

Notes to the Income Statement

(6) Net Interest Income

Interest income and interest expenses comprise interest received and paid, deferred interest and pro-rata reversals of premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as debt under IAS 32, payments to silent partners are recognised in interest expenses.

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	2 485	2 770	– 10
Interest income from debt securities and other fixed-interest securities	406	501	– 19
Interest income from financial instruments at fair value			
Interest income from trading profit / loss and hedge accounting derivatives	1 967	2 474	– 20
Interest income from fair value option	26	40	– 35
Current income			
from shares and other non fixed-interest securities	3	3	–
from investments	8	17	– 53
	21	–	> 100
Interest income from other amortisations	546	471	16
Other interest income and similar income	10	–	> 100
	5 472	**6 276**	**– 13**
Interest expense			
Interest expenses from lending and money market transactions	1 045	1 253	– 17
Interest expenses from securitised liabilities	352	448	– 21
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit / loss and hedge accounting derivatives	1 895	2 270	– 17
Interest expenses from fair value option	171	185	– 8
Interest expenses from subordinated capital	128	186	– 31
Interest expenses from other amortisations	477	397	20
Interest expenses from provisions and liabilities	42	41	2
Other interest expenses and similar expenses	5	2	> 100
	4 115	**4 782**	**– 14**
Total	**1 357**	**1 494**	**– 9**

Interest income from lending and money market transactions includes negative interest in the amount of € 16 million. This negative interest is attributable to both loans and advances to banks and loans and advances to customers.

Interest expenses from lending and money market transactions include positive interest in the amount of € 33 million. This positive interest is attributable to liabilities to banks and liabilities to customers.

The income from silent participations includes the valuation effect resulting from the application of IAS 39.AG 8, which arises due to the reassessment of the cash flows associated with the silent participations (see Note (2) Accounting Policies).

(7) Loan Loss Provisions

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowance	319	377	– 15
Reversal of lumpsum specific loan loss provisions	3	2	50
Reversal of general loan loss provisions	238	122	95
Reversal of provisions for lending business	26	33	– 21
Additions to receivables written off	17	25	– 32
	603	**559**	**8**
Expenses for provisions for lending business			
Allocation to specific valuation allowance	1 943	728	> 100
Allocation to lumpsum specific loan loss provisions	2	2	–
Allocation to general loan loss provisions	93	157	– 41
Allocation to provisions for lending business	15	10	50
Direct write-offs of bad debts	201	28	> 100
Premium payments for credit insurance	–	1	– 100
	2 254	**926**	**> 100**
Total	**1 651**	**367**	**> 100**

(8) Net Commission Income

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	249	226	10
Commission income from non-banking transactions	10	11	– 9
	259	**237**	**9**
Commission expense			
Commission expense from banking transactions	94	74	27
Commission expense from non-banking transactions	1	–	–
	95	**74**	**28**
Total	**164**	**163**	**1**

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

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Trading profit / loss			
Profit / loss from debt securities and other fixed-interest securities	103	– 32	> 100
Profit / loss from shares and other non fixed-interest securities	– 4	– 3	33
Profit / loss from derivatives	362	15	> 100
Interest-rate risks	260	– 121	> 100
Currency risks	85	158	– 46
Share-price and other price risks	– 8	– 29	– 72
Credit derivatives	25	7	> 100
Profit / loss from receivables held for trading	149	– 55	> 100
Profit / loss from other trading activities	–	12	– 100
	610	**– 63**	**> 100**
Foreign exchange result	28	– 36	> 100
Other income	– 2	1	> 100
	636	**– 98**	**> 100**
Profit / loss from the fair value option			
Profit / loss from receivables to customers and banks	11	– 5	> 100
Profit / loss from debt securities and other fixed-interest securities	47	– 8	> 100
Profit / loss from liabilties to banks and customers	– 347	134	> 100
Profit / loss from securitised liabilties	– 13	44	> 100
Profit / loss from other activities	–	1	– 100
	– 302	**166**	**> 100**
Total	**334**	**68**	**> 100**

(10) Profit/loss from Hedge Accounting

The profit/loss from hedge accounting includes netted fair value adjustments relating to the hedged risk on the underlying transactions and netted fair value adjustments to hedging instruments in effective fair value hedge relationships.

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Profit / loss from micro fair value hedges			
from hedged underlying transactions	278	249	12
from derivatives employed as hedging instruments	– 268	– 218	23
	10	**31**	**– 68**
Profit / loss from portfolio fair value hedges			
from hedged underlying transactions	– 134	99	> 100
from derivatives employed as hedging instruments	144	– 23	> 100
	10	**76**	**– 87**
Total	**20**	**107**	**– 81**

(11) Profit/loss from Financial Assets

Profit/loss from financial assets shows the profits/losses from disposals and the valuation results recognised in profit and loss relating to securities and shares in companies in the financial asset portfolio.

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**6**	**– 4**	**> 100**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
Debt securities and other fixed-interest securities	– 6	68	> 100
Shares and other non fixed-interest securities	1	17	– 94
Other financial assets classified as AfS	–	– 8	– 100
Profit / loss from allowances for losses on			
Debt securities and other fixed-interest securities	61	– 19	> 100
Shares and other non fixed-interest securities	– 4	– 11	– 64
Other financial assets classified as AfS	–	– 6	– 100
	52	**41**	**27**
Profit / loss from shares in companies (not consolidated)	**3**	**19**	**– 84**
Total	**61**	**56**	**9**

(12) Administrative Expenses

Administrative expenses comprise staff expenses, other administrative expenses and depreciation/amortisation of property and equipment, intangible assets and investment property.

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Staff expenses	419	437	– 4
Other administrative expenses	366	327	12
Amortisation and depreciation	50	51	– 2
Total	**835**	**815**	**2**

(13) Other Operating Profit/loss

	1 Jan. - 30 Sep. 2016 (in € million)	1 Jan. - 30 Sep. 2015 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	2	6	– 67
from other business	254	155	64
	256	**161**	**59**
Other operating expenses			
from allocation to provisions	2	70	– 97
from other business	301	168	79
	303	**238**	**27**
Total	**– 47**	**– 77**	**– 39**

Income from other business includes income from the reversal of derecognised receivables totalling (147 Mio € (49 Mio €)), income from the chartering of ships relating to restructuring commitments in lending business (31 Mio € (49 Mio €)), rental income from investment property at 8 Mio € (7 Mio €) and cost reimbursements of 7 Mio € (7 Mio €).

In the previous year the expenses from new allocations to provisions in the amount of € 70 million resulted from the expenses for the expected annual contribution to the Single European Bank Resolution Fund.

The expenses from other business include primarily expenses associated with the derecognition of liabilities to banks and customers totalling 117 Mio € (65 Mio €), the bank levy amounting to € 55 million M (€ 66 million), expenses from the redemption of own bonds at € 36 million (€13 million) as well as expenses to realise charter proceeds from ships 25 Mio € (28 Mio €) and impairment losses in the amount of € 25 million (€ 5 million). The latter are predominantly due to the lower market values of ships as a result of the ongoing crisis in the ship market.

The expenses associated with the write-off of loans and advances amount to 5 Mio € (6 Mio €).

(14) Restructuring Expenses

Reorganisation expenses relate to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group. The material and staff costs included in these expenses are reported separately due to their importance. The need for reorganisation is related to the efficiency improvement programme launched in 2011 and a capital-boosting programme initiated to meet EU requirements. Earnings include expenses in the amount of € 9 million (€ 5 million) from new allocations to reorganisation provisions for agreements already concluded concerning the termination of employment contracts.

The items recognised under reorganisation expenses are non-recurring in nature and are not part of the ordinary business activities of the NORD/LB Group.

(15) Income Taxes

Income taxes reported in the interim financial statements are calculated based on the anticipated income tax rate for the full year. The underlying tax rate is based on the legal regulations applicable or enacted as at the reporting date.

Notes on the Balance Sheet

(16) Loans and Advances to Banks

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	3 498	2 509	39
Foreign banks	3 571	2 873	24
	7 069	**5 382**	**31**
Other loans and advances			
German banks			
Due on demand	1 125	856	31
With a fixed term or period of notice	11 368	11 957	– 5
Foreign Banks			
Due on demand	2 053	1 857	11
With a fixed term or period of notice	593	1 142	– 48
	15 139	**15 812**	**– 4**
Total	**22 208**	**21 194**	**5**

(17) Loans and Advances to Customers

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	1 649	1 207	37
Customers abroad	494	310	59
	2 143	**1 517**	**41**
Other loans and advances			
Domestic customers			
Due on demand	1 816	3 233	– 44
With a fixed term or period of notice	71 069	71 836	– 1
Customers abroad			
Due on demand	678	730	– 7
With a fixed term or period of notice	30 375	30 562	– 1
	103 938	**106 361**	**– 2**
Total	**106 081**	**107 878**	**– 2**

(18) Risk Provisioning

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Specific valuation allowance	3 456	2 482	**39**
Lumpsum specific loan loss provisions	6	7	**– 14**
General loan loss provisions	286	430	**– 33**
Total	**3 748**	**2 919**	**28**

The risk provisioning reported under assets and loan loss provisions changed as follows:

	Specific valuation allowances		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
1 January	**2 522**	**2 243**	**7**	**7**	**430**	**497**	**55**	**74**	**3 014**	**2 821**
Allocations	1 943	728	2	2	93	157	15	10	2 053	897
Reversals	319	377	3	2	238	122	26	33	586	534
Utilisation	619	278	–	–	–	–	–	–	619	278
Unwinding	– 53	– 58	–	–	–	–	–	–	– 53	– 58
Effects of changes of foreign exchange rates and other changes	– 18	65	–	–	1	1	–	1	– 17	67
30 Sep.	**3 456**	**2 323**	**6**	**7**	**286**	**533**	**44**	**52**	**3 792**	**2 915**

(19) Financial assets at Fair Value through Profit or Loss

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	1 559	1 815	– 14
Shares and other non fixed-interest securities	47	63	– 25
Positive fair values from derivatives	6 924	7 646	– 9
Trading portfolio claims	2 528	2 729	– 7
	11 058	**12 253**	**– 10**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	209	200	4
Debt securities and other fixed-interest securities	1 480	1 582	– 6
	1 689	**1 782**	**– 5**
Total	**12 747**	**14 035**	**– 9**

(20) Financial Assets

Financial assets include all debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non-fixed-interest securities, shares in companies which are not measured in accordance with IFRS 10, IFRS 11 or IAS 28 as well as financial assets classified as loans and receivables (LaR).
Investments in the equity of other companies as well as silent participations and participatory capital with loss sharing are allocated to the AfS category.

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Financial assets classified as LaR	**2 965**	**3 423**	**– 13**
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	29 588	30 493	– 3
Shares and other non fixed-interest securities	177	161	10
Shares in companies (not consolidated)	327	301	9
Other financial assets classified as AfS	128	137	– 7
	30 220	**31 092**	**– 3**
Total	**33 185**	**34 515**	**– 4**

(21) Property and Equipment

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Land and buildings	344	283	22
Operating and office equipment	56	45	24
Ships	165	200	– 18
Other property and equipment	6	45	– 87
Total	**571**	**573**	–

(22) Intangible Assets

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Software			
Purchased	57	25	> 100
Internally developed	23	19	21
	80	**44**	**82**
Other intangible assets			
Other intangible assets - purchased	36	85	– 58
Other intangible assets - internally developed	29	20	45
Total	**145**	**149**	**– 3**

Intangible assets under development refer primarily to internally generated software. The increase in purchased software is mainly due to the reclassification of intangible assets under development.

(23) Assets held for sale

Designated assets held for sale in accordance with IFRS 5 with a carrying amount totalling € 32 million (€ 58 million) include property and equipment in the amount of € 17 million (€ 18 million), financial assets totalling € 11 million (€ 36 million) and other assets in the amount of € 4 million (€2 million).

Property and equipment designated as held for sale include three ships from the Ship Customers segment, which were initially consolidated and reported at fair value as at 31 December 2014 and 31 December 2015. An impairment of € 9 million (€ 4 million) was recognised under other operating profit/loss in accordance with IFRS 5.20. A ship allocated to the Group Controlling/Others segment, which was previously designated held for sale, was sold on 14 September 2016. A loss of € 3 million was incurred. The Group aims to dispose of the other ships in the current financial year.

The financial assets held for sale in the amount of € 11 million are an investment in two associates, which were classified on 2 September 2016 and 16 September 2016 for the first time as held for sale. One of them is included as an associated company in the consolidated financial statements The financial assets designated held for sale are allocated to the Group Controlling / Others segment. The sale of these shares is expected to take place in 2017.

An associate previously recognised as a financial asset held for sale was sold on 18 August 2016. It belongs to the Group Controlling/Others segment and the resultant profit totalling € 36 million was reported under Other operating profit.

(24) Liabilities to Banks

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Deposits from other banks			
German banks	2 566	2 169	18
Foreign banks	1 542	1 236	25
	4 108	**3 405**	**21**
Liabilities resulting from money market transactions			
German banks	9 359	9 971	– 6
Foreign banks	10 219	10 150	1
	19 578	**20 121**	**– 3**
Other liabilities			
German banks			
Due on demand	589	2 751	– 79
With a fixed term or period of notice	23 384	21 062	11
Foreign banks			
Due on demand	815	759	7
With a fixed term or period of notice	687	712	– 4
	25 475	**25 284**	**1**
Total	**49 161**	**48 810**	**1**

(25) Liabilities to Customers

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 206	1 293	– 7
Customers abroad	12	13	– 8
With an agreed notice period of more than three months			
Domestic customers	26	34	– 24
Customers abroad	1	1	–
	1 245	**1 341**	**– 7**
Liabilities resulting from money market transactions			
Domestic customers	11 586	12 254	– 5
Customers abroad	1 970	3 141	– 37
	13 556	**15 395**	**– 12**
Other liabilities			
Domestic costumers			
Due on demand	14 299	16 519	– 13
With a fixed term or period of notice	24 539	24 496	–
Customers abroad			
Due on demand	1 617	713	> 100
With a fixed term or period of notice	1 880	2 133	– 12
	42 335	**43 861**	**– 3**
Total	**57 136**	**60 597**	**– 6**

(26) Securitised Liabilities

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Issued debt securities			
Covered bonds	11 004	10 968	–
Municipal debentures	8 592	10 472	– 18
Other debt securities	14 272	12 618	13
	33 868	**34 058**	**– 1**
Money market instruments			
Commercial paper	949	1 452	– 35
Certificates of deposit	337	367	– 8
	1 286	**1 819**	**– 29**
Total	**35 154**	**35 877**	**– 2**

Repurchased debt securities issued by the Bank itself in the amount of € 6.080 billion (€ 4.720 billion) have been deducted directly from securitised liabilities.

The notional volume of issues in the NORD/LB Group totalled € 9.924 billion in the first nine months of financial year 2016. Repurchases totalled € 3.633 billion, while repayments amounted to € 7.700 billion. The amount for issues includes both original issues and securities resold as a result of repurchases. The figures include money market securities, issued debt securities for securitised liabilities (see Notes (26) and (27), Financial liabilities at fair value through profit or loss (see Note (27) and subordinated capital (see Note (29)).

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

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	6 143	7 742	– 21
Delivery obligations from short-sales	30	12	> 100
	6 173	**7 754**	**– 20**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 659	6 098	9
Securitised liabilities	3 014	2 205	37
	9 673	**8 303**	**17**
Total	**15 846**	**16 057**	**– 1**

(28) Provisions

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Provisions for pensions and other obligations	2 646	2 122	25
Other provisions	285	306	– 7
Total	**2 931**	**2 428**	**21**

The increase in provisions for pensions and similar liabilities amounting to € 524 million is derived from the drop in the actuarial interest rate of 2.65% as of 31 December 2015 to 1.55% and the lower discounting effect as a result.

In other provisions there is no provision (€ 70 million) for the contribution to the European bank levy. This item also includes provisions for reorganisation measures in the amount of € 5 million (€ 5 million).

(29) Subordinated capital

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Subordinated liabilities	3 288	3 101	6
Participatory capital	63	152	– 59
Silent participations	514	1 046	– 51
Total	**3 865**	**4 299**	**– 10**

As of 30 September 2016, silent participations were revalued in accordance with IAS 39. AG 8 (see Note (2) Accounting Policies).

Other Disclosures

(30) Fair Value Hierarchy

The NORD/LB Group applies the three-stage fair value hierarchy using the Level 1, Level 2 and Level 3 terminology set out in IFRS 13.

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

Level 1

The fair value hierarchy sets out that a financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. If no market prices or prices actually traded on the OTC market are available, executable prices quoted by dealers or brokers are used in the measurement to determine fair value. Quotes from other banks or market makers are applied whenever observable sources of prices other than exchanges are used. The instruments in these circumstances are then assigned to Level 1 if there is an active market for these broker quotations, i.e. if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the broker quotations are for (mixed) prices or if the price is set on an inactive market, the instruments are not assigned to Level 1, rather to Level 2 of the measurement hierarchy, if the quotations relate to binding offers, observable prices or market transactions.

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

Level 2

If no price quotes on an active market are available, the fair value is calculated using recognised valuation methods or models as well as by means of external pricing services if the measurement in this case is carried out either fully or to a significant degree using observable input data such as spread curves (Level 2). To measure financial instruments in these situations, valuation methods are used that are widely recognised on the market under normal market conditions (e.g. discounted cash flow methods and the Hull & White model for options) and whose calculations are fundamentally based on inputs available on an active market. A requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired.

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

In the case of securities on the assets side of the balance sheet for which there is no active market and for which market prices cannot be used, fair value is determined for measurement purposes using discounted cash flows. All payments are discounted in these discounted cash flow methods using the risk-free interest rate curve adjusted for the credit spread. Spreads are determined based on comparable financial instruments (for example, taking account of the respective market segment and the issuer's credit rating).

The financial instruments in the NORD/LB Group to be measured in this manner are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions in the Group identify, analyse and value financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible. The measurement model for financial instruments for which listed prices in active markets cannot be used is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, further components such as foreign currency surcharges.

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

Level 3

Financial instruments for which there is no active market and which cannot be measured completely based on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation fundamentally uses both institution-specific models and market-based discounted cash flow models as well as significant amounts of data which are not observable on the market. The inputs used in these methods include, among other things, assumptions about cash flows, loss estimates and the discount rate, and are determined as far as possible on a near-market basis.

Level-3 procedures are sometimes used for portfolios of interest-bearing securities and derivatives for which the market has been classified as inactive. In addition, loans designated for syndication and the associated derivatives are assigned to Level 3. Level 3 financial instruments include trading assets and liabilities, financial instruments designated at fair value and financial assets recognised at fair value.

Establishing Fair Values

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

All relevant factors are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty risk and business-typical discounting factors. The mid-market price in the bid-ask spread is always used for the measurement. The financial instruments that are particularly impacted by this include securities or liabilities whose fair values are based on prices listed on active markets and financial instruments, such as OTC derivatives, whose fair values are determined using a valuation method and for which the mid-market price is an observable input in the valuation method.

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

There are generally no listed prices available for derivatives of OTC markets; their fair values are therefore determined using other valuation methods. The fair values are initially measured using cash flow models without taking account of the credit default risk. The credit default risk of the counterparty (CVA) and the Bank's own credit default risk (DVA) are incorporated into the fair value calculation using an add-on process in the fair value calculation.

The NORD/LB Group measures secured OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are no longer discounted using the term-specific interest rate, rather with the OIS interest rate curve. Unsecured derivatives continue to be discounted with the term-specific interest rate to establish their fair value. In addition, the NORD/LB Group applied a funding valuation adjustment (FVA) for the first time in the first quarter of 2016. This adjustment represents the market-implied refinancing costs for unsecured derivative positions. This new approach resulted in an effect of € -29 million on the trading profit/loss for the reporting period.

The fair values of financial instruments are compared with their carrying amounts in the following table.

(in € million)	30 Sep.2016 Fair Value	30 Sep.2016 Carrying amount	30 Sep.2016 Difference	31 Dec.2015 Fair Value	31 Dec.2015 Carrying amount	31 Dec.2015 Difference
Assets						
Cash reserve	1 073	1 073	–	872	872	–
Loans and advances to banks	22 693	22 208	485	21 842	21 194	648
Loans and advances to customers	110 622	106 081	4 541	108 607	107 878	729
Risk provisioning	[1]	– 3 748	3 748	[1]	– 2 919	2 919
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**133 315**	**124 541**	**8 774**	**130 449**	**126 153**	**4 296**
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	326	– 326	[2]	91	– 91
Financial assets at fair value through profit or loss	12 747	12 747	–	14 035	14 035	–
Positive fair values from hedge accounting derivatives	2 880	2 880	–	2 507	2 507	–
Financial assets not reported at fair value	2 779	3 017	– 238	3 205	3 471	– 266
Financial assets reported at fair value	30 168	30 168	–	31 044	31 044	–
Financial assets held for sale not reported at fair value	–	–	–	74	38	36
Financial assets held for sale reported at fair value	32	32	–	20	20	–
Other assets not reported at fair value	42	42	–	35	35	–
Other assets reported at fair value	14	14	–	36	36	–
Total	**183 050**	**174 840**	**8 536**	**182 277**	**178 302**	**3 975**
Liabilities						
Liabilities to banks	50 055	49 161	894	49 439	48 810	629
Liabilities to customers	59 783	57 136	2 647	63 622	60 597	3 025
Securitised liabilities	35 870	35 154	716	36 330	35 877	453
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	1 375	– 1 375	[2]	753	– 753
Financial liabilities at fair value through profit or loss	15 846	15 846	–	16 057	16 057	–
Negative fair values from hedge accounting derivatives	3 824	3 824	–	3 148	3 148	–
Financial liabilities held for sale not reported at fair value	10	10	–	7	7	–
Other liabilities not reported at fair value	47	47	–	29	29	–
Other liabilities reported at fair value	2	2	–	1	1	–
Subordinated capital	4 180	3 865	315	4 726	4 299	427
Total	**169 617**	**166 420**	**3 197**	**173 359**	**169 578**	**3 781**

[1] Amounts relating to risk provisioning are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
[2] Amounts relating to the assets and liabilities item "Adjustment item for financial instruments hedged in the fair value hedge portfolio" are shown in the fair values of the respective items of hedged financial instruments.

It was not possible to reliably determine a fair value for € 52 million (€ 48 million) of financial instruments because there is no active market for these financial instruments and the necessary estimates are not possible within reasonable fluctuation ranges and suitable probabilities of occurrence.

These are mainly investments. The Group intends to retain ownership of these financial instruments.

The following table shows the breakdown of assets and liabilities recognised at fair value based on the fair value hierarchy:

	Level 1		Level 2		Level 3		Total	
(in € million)	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015
Assets								
Assets held for trading	995	725	9 894	11 463	169	65	11 058	12 253
Debt securities and other fixed-interest securities	948	662	611	1 153	–	–	1 559	1 815
Shares and other non fixed-interest securities	47	63	–	–	–	–	47	63
Positive fair values from derivatives	–	–	6 923	7 645	1	1	6 924	7 646
Interest-rate risks	–	–	6 273	7 035	–	–	6 273	7 035
Currency risks	–	–	618	576	1	1	619	577
Share-price and other price risks	–	–	2	10	–	–	2	10
Credit derivatives	–	–	30	24	–	–	30	24
Trading portfolio claims	–	–	2 360	2 665	168	64	2 528	2 729
Financial assets as at fair value through profit or loss	932	946	757	836	–	–	1 689	1 782
Loans and advances to customers	–	–	209	200	–	–	209	200
Financial assets	932	946	548	636	–	–	1 480	1 582
Debt securities and other fixed-interest securities	932	946	548	636	–	–	1 480	1 582
Positive fair values from hedge accounting derivatives	–	–	2 880	2 507	–	–	2 880	2 507
Positive fair values from employed micro fair value hedge derivatives	–	–	1 941	1 882	–	–	1 941	1 882
Interest-rate risks	–	–	1 870	1 836	–	–	1 870	1 836
Currency risks	–	–	71	46	–	–	71	46
Positive fair values from employed portfolio fair value hedge derivatives	–	–	939	625	–	–	939	625
Interest-rate risks	–	–	939	625	–	–	939	625
Financial assets at fair value	16 847	11 234	12 939	19 437	382	373	30 168	31 044
Debt securities and other fixed-interest securities	16 653	11 059	12 932	19 430	3	4	29 588	30 493
Shares and other non fixed-interest securities	177	161	–	–	–	–	177	161
Shares in companies (not consolidated)	16	14	7	7	252	232	275	253
Other financial assets classified as AfS	1	–	–	–	127	137	128	137
Financial assets held for sale reported at fair value	–	–	28	20	4	–	32	20
Other financial assets reported at fair value	14	16	–	20	–	–	14	36
Total assets	**18 788**	**12 921**	**26 498**	**34 283**	**555**	**438**	**45 841**	**47 642**

(in € million)	Level 1 30 Sep. 2016	Level 1 31.12. 2015	Level 2 30 Sep. 2016	Level 2 31.12. 2015	Level 3 30 Sep. 2016	Level 3 31.12. 2015	Total 30 Sep. 2016	Total 31.12. 2015
Liabilities								
Trading liabilities	26	11	6 146	7 742	1	1	6 173	7 754
Negative fair values from derivatives relating to	3	3	6 139	7 738	1	1	6 143	7 742
interest-rate risks	–	–	4 953	5 915	1	–	4 954	5 915
currency risks	–	–	1 176	1 807	–	1	1 176	1 808
share-price and other price risks	3	3	5	5	–	–	8	8
credit derivatives	–	–	5	11	–	–	5	11
Delivery obligations from short-sales and other trading assets	23	8	7	4	–	–	30	12
Financial liabilities reported at fair value	765	22	8 888	8 277	20	4	9 673	8 303
Liabilities to banks	–	–	449	442	–	–	449	442
Liabilities to customers	–	–	6 210	5 656	–	–	6 210	5 656
Securitised liabilities	765	22	2 229	2 179	20	4	3 014	2 205
Negative fair values from hedge accounting derivatives	–	–	3 824	3 148	–	–	3 824	3 148
Negative fair values from employed micro fair value hedge derivatives	–	–	3 258	2 871	–	–	3 258	2 871
interest-rate risks	–	–	2 925	2 497	–	–	2 925	2 497
currency risks	–	–	333	374	–	–	333	374
Negative fair values from employed portfolio fair value hedge derivatives	–	–	566	277	–	–	566	277
interest-rate risks	–	–	566	277	–	–	566	277
Other financial liabilities reported at fair value	2	1	–	–	–	–	2	1
Total liabilities and equity	**793**	**34**	**18 858**	**19 167**	**21**	**5**	**19 672**	**19 206**

The Level 3 financial assets currently recognised at fair value are measured using the counterparty price.

The designated assets held for sale at fair value are non-recurring fair value measurements (see Note (23) Assets held for sale).

The transfers within the fair value hierarchy are summarised as follows:

1 Jan. - 30 Sep.2016 (in € million)	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Assets						
Assets held for trading	8	–	150	–	–	–
Debt securities and other fixed-interest securities	8	–	150	–	–	–
Financial assets as at fair value through profit or loss	16	–	105	–	–	–
Financial assets	16	–	105	–	–	–
Debt securities and other fixed-interest securities	16	–	105	–	–	–
Financial assets at fair value	728	–	6 611	–	–	–
Debt securities and other fixed-interest securities	728	–	6 611	–	–	–
Liabilities						
Financial liabilities reported at fair value	13	–	–	16	–	–
Securitised liabilities	13	–	–	16	–	–

An initial assessment of asset-side financial instruments takes place on an individual transaction basis in accordance with IDW RS HFA 47, This regulation specifies how financial instruments are to be classified in the various levels and stipulates, for example, that (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations must originate from an active market in order to be allocated to Level 1. If there are only a few broker quotations or if these have large bid-ask spreads or major price differences between them, it is assumed that the market is inactive. Based on the above table, most transfers between levels as at the reporting date compared to the end of the previous year have taken place between Level 1 and Level 2.

When measuring the securitised liabilities in the fair value option, the use of market prices is reviewed as at the reporting date. Following this review, some issues generally move between Level 1 and 2 due to changes in trading activity.

The transfer date for the transfer between the individual levels is the end of the reporting period.

Assets and liabilities in Level 3 of the fair value hierarchy trended as follows:

	Trading assets			
	Positive fair values from derivatives Currency risks		Trading portfolio claims and other trading assets	
(in € million)	2016	2015	2016	2015
1 Jan.	**1**	**–**	**64**	**197**
Effect on the income statement[1]	–	1	7	– 35
Addition from purchase or issuance	–	–	160	40
Disposal from sale	–	–	57	86
Repayment / exercise	–	–	6	69
30 Sep.	**1**	**1**	**168**	**47**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	8	– 14

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (6) Net interest income and (9)**Fehler! Verweisquelle konnte nicht gefunden werden.** Profit/loss from financial instruments at fair value through profit or loss.

	Financial assets at fair value					
	Debt securities and other fixed-interest securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
(in € million)	2016	2015	2016	2015	2016	2015
1 Jan.	**4**	**5**	**232**	**231**	**138**	**129**
Effect on the income statement[1]	–	–	–	15	– 2	–
Effect on the equity capital	–	–	21	32	–	–
Addition from purchase or issuance	–	–	15	15	–	–
Disposal from sale	–	1	16	34	7	–
Repayment / exercise	1	–	–	–	2	–
Disposal to Level 1 and 2	–	–	–	–	–	77
30 Sep.	**3**	**4**	**252**	**259**	**127**	**52**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	–	–	– 1	–

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (6) Net interest income, (11) Profit/loss from financial assets.

(in € million)	Financial assets held for sale reported at fair value 2016	2015
1 Jan.	**–**	**–**
Reclassification	4	–
30 Sep.	**4**	**–**

	Trading liabilities			
	Trading liabilities Interest-rate risk		Trading liabilities Currency risks	
(in € million)	2016	2015	2016	2015
1 Jan.	**–**	**16**	**1**	**1**
Effect on the income statement [1)]	–	–	– 1	–
Addition from purchase or issuance	1	–	–	–
Disposal from sale	–	16	–	–
30 Sep.	**1**	**–**	**–**	**1**

[2)] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (6) Net interest income and (9) Profit/loss from financial instruments at fair value through profit or loss.

	Financial liabilities at fair value through profit or loss	
	Securitised liabilities	
(in € million)	2016	2015
1 Jan.	**4**	**9**
Addition from Level 2	16	–
30 Sep.	**20**	**9**

The fair values of the financial instruments in Level 3 were determined using the following significant, unobservable input data.

Product	Fair Value 30 Sep.2016 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	3	Fair Value	-	-
Interest-bearing bond (liabili-ties)	– 20	historical volatilities	8-53 %	29%
Participations	252	Discount rate	5-9 %	8 %
Silent participations	127	Discount rate	4-9 %	7 %
Loans	168	Rating	Rating Class (25er DSGV-Skala) 3-11	Averaged Rating 10
Derivatives (assets)	1	historical volatilities	9%	9%
Derivatives (liabilities)	– 1	Rating	Rating Class (25er DSGV-Skala) 14	Averaged Rating 14
Financial assets held for sale reported at fair value	4	Fair Value	-	-

A significant input that cannot be observed in the market used in the Level 3 fair value measurement of interest-bearing securities is the fair value itself. Due to a lack of market data the measurement uses counterparty prices that qualify as Level 3 inputs. The sensitivity of the fair value measurement is approximated via a price change of 10 per cent and totals € 0.3 million (€ 0.4 million). The above-mentioned amount would have a corresponding effect on other comprehensive income (OCI).

A significant input that cannot be observed in the market used in the fair value measurement of investments is the discount rate. Major changes in this input result in a significantly higher or lower fair value. The sensitivity of the fair value measurement was analysed by increasing and decreasing the discount rate by 50 basis points. This analysis showed that an imputed change in the assumed parameter would result in a change of € 8.7 million (€ 7.8 million) in the fair value of the investments in Level 3, with a corresponding effect on other comprehensive income (OCI).

A significant input that cannot be observed in the market used in the fair value measurement of silent participations is the discount rate. Major changes in this input result in a significantly higher or lower fair value. The sensitivity of the fair value measurement was analysed by increasing and decreasing the discount rate by 100 basis points. This analysis showed that an imputed change in the assumed parameter would result in a change of € 3.5 million (€ 3.5 million) in the fair value of the silent participations in Level 3, with a corresponding effect on other comprehensive income (OCI).

A significant input that cannot be observed in the market used in the fair value measurement of loans is the internal rating. Major changes in this input result in a significantly higher or lower fair value. The sensitivity of the fair value measurement was analysed by increasing and decreasing the rating by one rating class. This analysis showed that an imputed change in the assumed parameter would result in a change of € 0.8 million (€ 0.1 million) in the fair value of the loans in Level 3, with a corresponding effect on the income statement.

There are currently no derivatives that have been measured as part of syndicated loans and allocated to Level 3. These are forward loans. There are also derivatives that have been allocated to Level 3 based on historic volatility.

Significant inputs that cannot be observed in the market used in the fair value measurement of these derivatives are rating and historical volatility. As permitted under accounting regulations, disclosures describing the sensitivity of historical volatility are not provided because historical volatility is based not on the company itself, rather on the original market transactions. Major changes in the rating result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was stressed by one level with an improvement and a deterioration of the rating. This analysis showed that an imputed change in the rating would result in a change of € 0.1 million (€ 0 million) in the fair value of the derivatives in Level 3, with a corresponding effect on the income statement.

Interest-bearing securities, investments and silent participations are mainly reported under financial assets, while derivatives and loans are reported under financial assets and liabilities at fair value through profit or loss.

There are no relevant correlations between significant Level 3 inputs used in the fair value measurement of Level 3 financial instruments. As a result, there is no impact on the fair value.

(31) Derivative Financial Instruments

Unlike their presentation in the balance sheet, the market values are stated prior to offsetting in the balance sheet in accordance with IAS 32.42.

	Nominal values		Fair value positive		Fair value negative	
(in € million)	30 Sep.2016	31 Dec.2015	30 Sep.2016	31 Dec.2015	30 Sep.2016	31 Dec.2015
Interest-rate risk	287 679	287 093	16 190	13 331	15 494	12 590
Currency risk	58 129	50 469	998	624	1 819	2 180
Share price and other price risks	184	200	2	10	7	8
Credit risk	2 744	2 894	30	24	5	11
Total	**348 736**	**340 656**	**17 220**	**13 989**	**17 325**	**14 789**

(32) Disclosures concerning Selected Countries

The following table shows, in contrast to the exposures in the risk report (see the interim management report), the values recognised in the balance sheet for transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related companies.

	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
(in € million)	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015
Ireland						
Country	–	9	–	–	23	22
Financing institutes / insurance companies	– 14	13	–	–	28	24
Companies / other	79	37	–	–	1	–
	65	**59**	**–**	**–**	**52**	**46**
Italy						
Country	–	–	86	84	1 006	1 071
Financing institutes / insurance companies	7	1	–	–	113	124
Companies / other	9	4	–	–	85	90
	16	**5**	**86**	**84**	**1 204**	**1 285**
Portugal						
Country	– 2	– 2	–	–	49	51
Financing institutes / insurance companies	– 1	– 1	–	–	1	1
Companies / other	–	–	–	–	13	–
	– 3	**– 3**	**–**	**–**	**63**	**52**

(in € million)	Financial Instruments Held for Trading 30 Sep. 2016	Financial Instruments Held for Trading 31 Dec. 2015	Financial Instruments designated at Fair Value through Profit or Loss 30 Sep. 2016	Financial Instruments designated at Fair Value through Profit or Loss 31 Dec. 2015	Available for Sale Assets 30 Sep. 2016	Available for Sale Assets 31 Dec. 2015
Slowenia						
Country	–	4	–	–	2	–
	–	**4**	**–**	**–**	**2**	**–**
Spain						
Country	38	1	–	–	158	138
Financing institutes / insurance companies	– 1	17	–	–	1 038	1 239
Companies / other	11	9	–	–	41	28
	48	**27**	**–**	**–**	**1 237**	**1 405**
Hungary						
Country	–	–	–	–	115	113
	–	**–**	**–**	**–**	**115**	**113**
Cyprus						
Companies / other	16	1	–	–	–	–
	16	**1**	**–**	**–**	**–**	**–**
Total	**142**	**93**	**86**	**84**	**2 673**	**2 901**

For financial instruments categorised as available for sale with a cost of acquisition totalling € 2.346 billion (€ 2.582 billion), the cumulative valuation result reported in equity for the selected countries totals € 69 million (€ 118 million). In addition to this, write-downs of € 1 million (€ 1 million) were recognised in the income statement for the period.

	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair Value	
(in € million)	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015	30 Sep. 2016	31 Dec. 2015
Egypt								
Companies / other	40	–	–	–	2	–	40	–
	40	**–**	**–**	**–**	**2**	**–**	**40**	**–**
Greece								
Companies / other	6	21	–	–	–	– 1	6	19
	6	**21**	**–**	**–**	**–**	**– 1**	**6**	**19**
Ireland								
Financing institutes / insurance companies	170	193	–	–	–	–	171	198
Companies / other	2 260	2 332	–	–	2	– 2	2 297	2 148
	2 430	**2 525**	**–**	**–**	**2**	**– 2**	**2 468**	**2 346**
Italy								
Financing institutes / insurance companies	80	83	–	–	–	–	64	69
Companies / other	280	213	–	–	–	–	284	216
	360	**296**	**–**	**–**	**–**	**–**	**348**	**285**
Portugal								
Companies / other	22	25	–	–	–	–	22	25
	22	**25**	**–**	**–**	**–**	**–**	**22**	**25**
Russia								
Financing institutes / insurance companies	143	148	–	–	–	–	143	148
Companies / other	60	43	–	–	–	–	62	41
	203	**191**	**–**	**–**	**–**	**–**	**205**	**189**

(in € million)	Loans and Receivables Gross book value 30 Sep. 2016	 Gross book value 31 Dec. 2015	 Specific valuation allowances 30 Sep. 2016	 Specific valuation allowances 31 Dec. 2015	 General loan loss provisions 30 Sep. 2016	 General loan loss provisions 31 Dec. 2015	 Fair Value 30 Sep. 2016	 Fair Value 31 Dec. 2015
Spain								
Country	51	52	–	– 4	–	–	55	54
Financing institutes / insurance companies	67	84	–	–	–	–	67	84
Companies / other	201	249	28	24	–	–	202	254
	319	**385**	**28**	**20**	**–**	**–**	**324**	**392**
Hungary								
Financing institutes / insurance companies	5	1	–	–	–	–	5	1
Companies / other	27	33	–	–	–	–	25	32
	32	**34**	**–**	**–**	**–**	**–**	**30**	**33**
Cyprus								
Companies / other	1 015	1 072	12	– 49	22	6	801	779
	1 015	**1 072**	**12**	**– 49**	**22**	**6**	**801**	**779**
Total	**4 427**	**4 549**	**40**	**– 29**	**26**	**3**	**4 244**	**4 068**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 505 million (€ 567 million). Of this amount, sovereigns account for € 378 million (€ 378 million), financing institutions/insurance companies for € 45 million (€ 125 million) and companies/others for € 82 million (€ 64 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € -2 million (€ -4 million).

Other Information

(33) Regulatory Data

The following consolidated regulatory capital data for the Group were calculated as at the reporting date in accordance with the provisions of EU Regulation No. 575/2013 on regulatory requirements for banks and securities firms (CRR).

(in € million)	30 Sep.2016	31 Dec.2015
Total risk exposure amount	**63 857**	**63 675**
Capital requirements for credit risk	4 426	4 352
Capital requirements for operational risks	409	419
Capital requirements for market risks	203	251
Capital requirements for loan amount adjustments	71	73
Capital requirements	**5 109**	**5 095**

The following schedule shows the composition of regulatory equity for the Group in accordance with art. 25 et. seq. of the CRR:

(in € million)	30 Sep.2016	31 Dec.2015
Paid-up capital including premium	4 930	4 930
Reserves	2 266	2 908
Eligible components of CET 1 capital at subsidiaries	585	837
Other components of CET 1 capital	– 82	36
– Deductible items (from CET 1 capital)	– 353	– 964
Adjustments due to transition rules	437	573
Common Equity Tier 1 capital	**7 783**	**8 320**
Grandfathered AT1 instruments	429	451
Adjustments due to transition rules	– 82	– 331
Additional Tier 1 capital	347	120
Tier 1 capital	**8 130**	**8 440**
Paid-up instruments of Tier 2 capital	2 582	2 616
Eligible components of Tier 2 capital at subsidiaries	273	270
Other components of Tier 2 capital	23	–
– Deductible items (from Tier 2 capital)	– 10	– 25
Adjustments due to transition rules	– 413	– 654
Tier 2 capital	**2 455**	**2 207**
Own funds	**10 585**	**10 647**

(in %)	30 Sep.2016	31 Dec.2015
Common equity tier 1 capital ratio	12,19%	13,07%
Tier 1 capital ratio	12,73%	13,25%
Total capital ratio	16,58%	16,72%

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

(34) Contingent Liabilities and other Obligations

	30 Sep.2016 (in € million)	31 Dec.2015 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	4 070	4 271	– 5
Other obligations			
Irrevocable credit commitments	9 494	9 409	1
Total	**13 564**	**13 680**	**– 1**

(35) Related Parties

The volume of transactions with related parties (not including those to be eliminated under con solidation) can be seen in the following schedules:

30 Sep.2016 (in € million)	Companies with significant influence	Subsidaries	Associated companies	Persons in key positions	Other related parties
Assets					
Loans and advances to banks	**–**	**–**	**273**	**–**	**91**
of which: money market transcations	–	–	101	–	–
of which: loans	–	–	155	–	91
other loans	–	–	155	–	91
Loans and advances to customers	**2 413**	**6**	**277**	**1**	**539**
of which: money market transcations	–	–	14	–	–
of which: loans	2 406	6	263	1	539
public-sector loans	2 288	–	14	–	525
mortage-backed loans	–	5	91	1	3
other loans	118	1	158	–	11
Financial assets at fair value through profit or loss	**360**	**–**	**45**	**–**	**43**
of which: Debt securities and other fixed-interest securities	141	–	–	–	–
of which: Positive fair values from derivatives	116	–	45	–	2
of which: Trading portfolio claims	103	–	–	–	41
Positive fair values from hedge accounting derivatives	**98**	**–**	**–**	**–**	**–**
Financial assets	**1 662**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 662	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	17	–	–
Total	**4 533**	**6**	**612**	**1**	**673**

30 Sep. 2016 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**341**	**–**	**92**
Liabilities to customers	**1 135**	**46**	**2**	**283**	**4**	**807**
of which: money market transactions	–	–	–	–	1	–
of which: saving deposits	´751	1	–	31	–	111
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**114**	**–**	**–**	**18**	**–**	**259**
of which: negative fair values from derivatives	87	–	–	18	–	–
Negative fair values from hedge accounting derivatives	**18**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**127**	**–**	**–**	**–**	**16**
Total	**1 268**	**173**	**2**	**642**	**4**	**1 175**
Guarantees / sureties received	309	–	–	–	–	–
Guarantees / sureties granted	–	–	–	16	–	–

1 Jan. - 30 Sep.2016 (in € million)	Companies with significant influence	Subsidiaries	Associated companies	Persons in key positions	Other related parties
Interest expenses	28	6	15	–	11
Interest income	94	–	9	–	18
Other income and expenses	– 27	–	– 9	– 5	– 8
Total contributions to income	**39**	**– 6**	**– 15**	**– 5**	**– 1**

31 Dec. 2015 (in € million)	Companies with significant influence	Subsidaries	Associated companies	Persons in key positions	Other related parties
Assets					
Loans and advances to banks	**–**	**–**	**276**	**–**	**247**
of which: money market transcations	–	–	116	–	20
of which: loans	–	–	160	–	227
of which: public-sector loans	–	–	–	–	13
other loans	–	–	160	–	214
Loans and advances to customers	**2 575**	**6**	**314**	**1**	**655**
of which: money market transcations	177	–	13	–	–
of which: loans	2 352	6	300	1	655
public-sector loans	2 270	–	15	–	643
mortage-backed loans	–	5	89	1	4
other loans	82	1	196	–	8
Financial assets at fair value through profit or loss	**343**	**–**	**74**	**–**	**27**
of which: Debt securities and other fixed-interest securities	62	–	–	–	–
of which: Positive fair values from derivatives	115	–	74	–	2
of which: Trading portfolio claims	166	–	–	–	25
Positive fair values from hedge accounting derivatives	**97**	**–**	**–**	**–**	**–**
Financial assets	**1 892**	**–**	**16**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 892	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	16	–	–
Total	**4 907**	**6**	**680**	**1**	**929**

31 Dec. 2015 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**17**	**–**	**346**	**–**	**113**
Liabilities to customers	**1 397**	**32**	**–**	**368**	**5**	**863**
of which: money market transcations	–	–	–	–	1	–
of which: saving deposits	893	1	–	44	–	159
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**2**
Financial liabilities at fair value through profit or loss	**47**	**–**	**–**	**1**	**–**	**156**
of which: negative fair values from derivatives	22	–	–	1	–	28
Negative fair values from hedge accounting derivatives	**8**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**588**	**–**	**–**	**–**	**15**
Total	**1 453**	**637**	**–**	**715**	**5**	**1 149**
Guarantees / sureties received	371	–	–	–	–	–
Guarantees / sureties granted	–	–	–	14	–	11

1 Jan. - 30 Sep.2015 (in € million)	Companies with significant influence	Subsidaries	Associated companies	Persons in key positions	Other related parties
Interest expenses	28	44	27	–	7
Interest income	98	–	25	–	27
Commission income	–	–	1	–	–
Other income and expenses	5	–	–	– 4	3
Total contributions to income	**75**	**– 44**	**– 1**	**– 4**	**23**

As at the balance sheet date there are valuation allowances for loans and advances to affiliated companies in the amount of € 2 million (€ 2 million).

(36) Basis of Consolidation

Company name and registered office	Shares (%) indirect	Shares (%) direct
Subsidiaries included in the consolidated financial statements		
BLB Immobilien GmbH, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen	–	54.83
Bremische Grundstücks-GmbH, Bremen	100.00	–
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover	–	100.00
KreditServices Nord GmbH, Braunschweig	–	100.00
Nieba GmbH, Hannover	–	100.00
NOB Beteiligungs GmbH & Co. KG, Hannover	100.00	–
NORD/FM Norddeutsche Facility Management GmbH, Hannover	–	100.00
NORD/LB Asset Management AG, Hannover	100.00	–
NORD/LB Asset Management Holding GmbH, Hannover	–	100.00
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	–	100.00
Nord-Ostdeutsche Bankbeteiligungs GmbH, Hannover	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	–
TLN-Beteiligung Anstalt öffentlichen Rechts & Co. KG, Hannover	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Special Purpose Entities included in the consolidated financial statements		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II GmbH, Fürstenberg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
KMU Gruppe	–	–
Beteiligungs- Kommanditgesellschaft MS "Buxmelody" Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
MT "BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "BALTIC COMMODORE" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SCORPIUS" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SOLAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
"OLIVIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PANDORA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
MS "HEDDA SCHULTE" Shipping GmbH & Co. KG, Hamburg	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Investment funds included in the consolidated financial statements		
NORD/LB AM ARB EUROPE	100.00	–
NORD/LB AM ALCO	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
Bremische Wohnungsbaubeteiligungsgesellschaft mbH	50.00	–
caplantic GmbH, Hannover	–	45.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
GSG OLDENBURG Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
Toto-Lotto Niedersachsen GmbH, Hannover	49.85	–
Öffentliche Lebensversicherung Braunschweig, Braunschweig 2)	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig 2)	–	75.00
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
After IFRS 5 valuated companies		
Subsidiaries		
Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
NORD/LB Vermögensmanagement Luxembourg S.A., Luxemburg-Findel / Luxemburg	–	100.00
Proud Parents Investment Co., Majuro / Marshallinseln	–	–
Associated companies		
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg 1)	–	56,61

1) This company is classified as an affiliated company due to the potential voting rights of third parties.
2) This company is classified as an affiliated company due to its structure under company law.

(37) Events after the reporting date

In September 2016 a joint declaration was published by the owners on securing the future of Bremer Landesbank. The owners of Bremer Landesbank, Norddeutsche Landesbank (54.8 percent), Free Hanseatic City of Bremen (41.2 percent) and Lower Saxony Association of Savings Banks (4.0 percent) agreed that Bremer Landesbank would become a wholly-owned subsidiary of NORD/LB. To this end, the Free Hanseatic City of Bremen and the Lower Saxony Association of Savings Banks will sell all their shares to NORD/LB.

Relevant company acquisition agreements were signed between the owners on 7 November 2016 to take effect from 1 January 2017. These are subject to conditions precedent, including the approval of the German Federal Cartel Office, the revision of the state treaty and the approval of the Supervisory Board and Owners' Meeting.

The total purchase price amounting to EUR 302 million will partly be settled by transferring ownership of the shares in Bremer Lagerhaus-Gesellschaft – Aktiengesellschaft von 1877 –, BREBAU GmbH and GEWOBA AG Wohnen und Bauen.

After the transaction, Bremer Landesbank will remain a fully-consolidated subsidiary in the consolidated financial statements of NORD/LB.

Other Information

Members of Governing Bodies

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Ulrike Brouzi

Thomas S. Bürkle

Eckhard Forst
(to 31 October 2016)

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

Peter- Jürgen Schneider (Chairman)
Finance Minister of Lower Saxony

Thomas Mang (First Deputy Chairman)
President of Sparkassenverband Lower Saxony

Jens Bullerjahn (Second Deputy Chairman)
Finance Minister of Saxony-Anhalt
(to 25 April 2016)

André Schröder (Second Deputy Chairman)
Finance minister of Saxony-Anhalt
(since 25 April 2016)

Frank Berg
Chairman of the Managing Board,
Ostsee Sparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board,
Sparkasse Jerichower Land

Edda Döpke
Bank employee,
NORD/LB Hanover

Ralf Dörries
Senior Bank Director,
NORD/LB Hanover
(to 30 September 2016)

Dr. Elke Eller
Head of HR and Director of Human Resources,
TUI AG

Frank Hildebrandt
Bank employee,
NORD/LB Braunschweig

Frank Klingebiel
Mayor of Salzgitter
(to 31 May 2016)

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

Ulrich Markurth
Mayor of Braunschweig
(since 1 June 2016)

Ludwig Momann
Chairman of the Managing Board,
Sparkasse Emsland
(since 1 Januar 2016)

Felix von Nathusius
Chairman of the Managing Board,
IFA ROTORION- Holding GmbH

Antje Niewisch- Lennartz
Justice Minister of Lower Saxony

Frank Oppermann
Bank employee,
NORD/LB Hannover
(since 1 October 2016)

Freddy Pedersen
ver.di Trade Union

Jörg Reinbrecht
ver.di Trade Union

Stefanie Rieke
Bank employee,
NORD/LB Magdeburg
(since 1 June 2016)

Ilse Thonagel
Bank employee, Landesförderinstitut
Mecklenburg- Vorpommern
(to 31 May 2016)

Forward-looking Statements

This report contains forward-looking statements. They can be recognised in terms such as “expect”, “intend”, “plan”, “endeavour” and “estimate” and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence our business and are beyond our control. These include, in particular, trends in the financial markets and changes in interest rates and market prices. Actual results and developments may therefore differ considerably from the assumptions made in the report. NORD/LB accepts no responsibility for the forward-looking statements and also does not intend to update or correct them if developments materialise that are different than those expected.

Financial calendar 2016/2017

24 November 2016	Publication of the figures as at 30 September 2016
April 2017	Publication of the figures as at 31 December 2016

Our Annual and Interim Reports can be downloaded from www.nordlb.de/reports and ordered from geschaeftsbericht@nordlb.de.

Please contact Investor Relations to order a report or if you have any questions.
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Branches (including Braunschweigische Landessparkasse)

Braunschweig	Bad Harzburg	Düsseldorf
Hamburg	Helmstedt	Holzminden
Magdeburg	Munich	Salzgitter
Schwerin	Seesen	Stuttgart
Wolfenbüttel		

There are over 100 branches and self-service centres in the business region of Braunschweigische Landessparkasse.

Details can be found at https://www.blsk.de

Foreign branches
London, New York, Singapore, Shanghai

Significant investments
Bremer Landesbank Kreditanstalt Oldenburg – Girozentral, Bremen and Oldenburg
Deutsche Hypothekenbank (Aktiengesellschaft), Hannover
NORD/LB Asset Management Holding AG, Hannover
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel
Öffentliche Versicherung Braunschweig, Braunschweig

Die norddeutsche Art.

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