NORD/LB

Die norddeutsche Art.

Strategic Action.

Interim Report as at 31 March 2017

Finanzgruppe

NORD/LB at a glance

Income Statement	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Net interest income	406	459	– 12
Loan loss provisions	126	435	– 71
Net commission income	43	54	– 20
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	74	255	– 71
Profit/loss from financial assets	51	7	> 100
Profit/loss from investments accounted for using the equity method	3	– 7	> 100
Administrative expenses	318	297	7
Other operating profit/loss	125	– 136	> 100
Earnings before reorganisation and taxes	**258**	**– 100**	**> 100**
Reorganisation expenses	3	7	– 57
Earnings before taxes	**255**	**– 107**	**> 100**
Income taxes	41	– 14	> 100
Consolidated profit	**214**	**– 93**	**> 100**

Key figures	1 Jan. - 31 Mar. 2017 (in %)	1 Jan. - 31 Mar. 2016 (in %)	Change (in %)
Cost-Income-Ratio (CIR)	48,9%	47,5%	3
Return-on-Equity (RoE)	17,8%	-5,2%	> 100

Balance figures	31 Mar. 2017 (in € million)	31 Mar. 2016 (in € million)	Change (in %)
Total assets	175 511	174 797	–
Customer deposits	56 881	57 301	– 1
Customer loans	103 662	105 640	– 2
Equity	6 270	6 041	4

Regulatory key figures	31 Mar. 2017 (in € million)	31 Mar. 2016 (in € million)	Change (in %)
Common equity tier 1 capital	6 046	6 752	– 10
Tier 1 capital	6 435	7 122	– 10
Tier 2 capital	2 341	2 656	– 12
Own funds	8 777	9 777	– 10
Total risk exposure amount	57 789	59 896	– 4
Common equity tier 1 capital ratio (in %)	10,46%	11,27%	– 7
Total capital ratio (in %)	15,19%	16,32%	– 7

Total differences are rounding differences and may cause minor deviations in the calculation of per-centages.

Interim Group Management Report as at 31 March 2017

The Group – basic information

Business model

NORD/LB Norddeutsche Landesbank Girozentrale (abbreviated in this document as 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 located in Hanover. The Bank's owners are the federal states of Lower Saxony and Saxony-Anhalt, the Savings Banks Association of Lower Saxony, Hanover (Sparkassenverband Niedersachsen, referred to below as 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 (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1,607,257,810, with the federal state of Lower Saxony holding 59.13 per cent (of which around 38.11 per cent is held in trust for the federal-state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt holding around 5.57 per cent, the SVN 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 and Singapore play a significant role, 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. The values of trust, responsibility and sustainability applied throughout the NORD/LB Group are complemented by reliability and transparency.

As the federal state bank for Lower Saxony and Saxony-Anhalt, NORD/LB is responsible for fulfilling the functions of a central bank for the savings banks (giro centre). The Bank also handles promotional business on behalf of the federal states through Investitionsbank Sachsen-Anhalt – part of Norddeutsche Landesbank Girozentrale – and through the Mecklenburg-Western Pomerania Promotion Institute, a business division of Norddeutsche Landesbank Girozentrale.

NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony and is the partner for all of the savings banks 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 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 service offerings. The NORD/LB Group comprises among others

- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (referred to below as: Bremer Landesbank),
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (referred to below as: Deutsche Hypo),
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel (referred to below as: NORD/LB Luxembourg) and
- NORD/LB Asset Management AG, Hanover.

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/LB will continue to pursue its chosen course, with its proven customer-oriented business model and risk-conscious business strategy. The business model focusses its business activities on the needs of customers and the continuous improvement of risk-adjusted profitability.

Further information on the strategy can be found in the Group Management Report as at 31 December 2016.

Control system

The NORD/LB Group's integrated management system offers a comprehensive view of the Bank's profitability, equity, risk, liquidity and asset quality. The central aim of this system is to optimise the Bank's profitability while simultaneously ensuring adequate capital and liquidity. The focus is on standardised and integrated management reporting during the year that includes both deviation analyses and extrapolations as at the respective quarter and year-end and the utilisation of early warning and restructuring thresholds. For this reason, the previous internal reporting was expanded at the start of financial year 2017 to include an integrated management and restructuring cockpit.

Another key management tool is the annual strategy and planning process. In the spring, the Managing Board confirms or revises the strategic objectives, which are then used to set the targets for the following year's planning in autumn. The planning is synchronised during a top-down/bottom-up process. Decisions regarding the planning for the following year are made by the competent committees at year-end.

Profitability management is based on a multi-step contribution margin analysis at the Group segment and Group company level. They key figures that are applied consistently in order to assess profitability are: earnings before taxes, the cost-income ratio (CIR) and return on equity (RoE) and, at the segment level, the return on risk-adjusted capital (RoRaC). Thus, these key figures continue to represent the most significant financial performance indicators in accordance with DRS 20:

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 method + Other operating profit/loss

Equity capital management is primarily carried out on the basis of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the total capital ratio in accordance with EU Regulation No. 575/2013 on regulatory requirements for banks and securities firms (CRR). Details regarding the ratios used during capital management and the measures taken can be found in the chapter "Equity management". In addition, the leverage ratio and the absolute ratios necessary to calculate this key figure are also included. The top objective is to ensure adherence over the long term to the defined internal objectives and all regulatory requirements.

Given the need to provide evidence of adequate capital, the risks that are incurred are continuously reviewed to ensure that they are covered by the available risk capital at all times. This includes risk bearing capacity management, taking account of the utilisation of risk capital by risk potential. The risk capacity statement is supplemented with stress tests in order to provide an in-depth analysis. A detailed description of the Group's risk management can be found in the chapter of the same name.

The overarching goal of liquidity risk management and monitoring is to ensure the NORD/LB Group's payment and funding ability at all times. Liquidity risks are limited using defined scenarios and these limits are monitored daily. Further information can be found in the description of risk management and in the risk report.

Asset quality is assessed on the basis of the asset's exposure as a share of NORD/LB's total exposure (non-performing loan ratio) and using the risk ratio, in which the risk provisioning is offset by the total risk exposure amount, plus the shortfall equivalent.

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 2016. This interim report therefore only describes significant developments in the reporting period.

Economic report

General economic and industry-specific environment

Economic environment

World economic conditions were uneven in the first quarter of the year. Growth in the USA was weak, with gross domestic product (GDP) rising by a price and seasonally adjusted 0.7 per cent on an annualised basis. China remained on a growth course during the same period, with an annual growth rate of 6.9 per cent.

In the eurozone, real gross domestic product in the first three months of the year rose by 0.5 per cent compared to the final quarter of 2016 after adjusting for seasonality. While economic growth in France and Italy was only moderate, growth remained at high level in Germany and Spain in particular. Thus, the recovery of the countries in the single currency area gained in strength and depth, despite the uneven performance of its members. In addition to private and government consumption, the eurozone also saw positive growth momentum as a result of investment activity. The improvement in domestic demand was bolstered by the continuous decline in the unemployment rate to 9.5 per cent in February and March. Unemployment fell to its lowest level since spring 2009.

The German economy started 2017 with significant momentum. Real gross domestic product increased in the first quarter of 2017 by 0.6 per cent compared to the previous quarter. Thus, the growth rate rose considerably in the first three months of this year compared with the increase of 0.4 per cent at the end of 2016. In addition to stimuli from private and government consumption, net exports and investments also did well. The latter were also influenced favourably by the very good weather conditions. Brisk domestic demand will be supported in large part and over the long term by the excellent state of the labour market. A new employment record was reached in March with some 44 million people employed, on a seasonally adjusted basis. The high employment level thus forms the essential basis for strong income growth, which is, however, lower than it was in the previous year, on a price-adjusted basis, because of higher inflation rates.

At the start of the year, capital markets were impacted by the divergent monetary policy strategies being pursued by the central banks in Washington and Frankfurt. As expected, the US Fed decided to cautiously normalise its monetary policy further on 16 March 2017, raising the federal funds target rate slightly by 25 basis points. This monetary policy measure had been anticipated by financial markets following very clear signals by the Fed. In the eurozone, the European Central Bank (ECB) continued its very expansive monetary policy in the first quarter of 2017. However, the solid economic conditions in the eurozone have fuelled speculation that the ECB might begin to gradually exit its expansive monetary policy earlier than expected. The central bank has not yet made any changes to its monetary policy, which is confirmed by its current forward guidance. As announced in December, the ECB began to scale back its expanded asset purchase programme (EAPP) to the original asset purchase monthly amounts of € 60 billion from April. Yields on European government bonds have since risen – primarily in the long-term segment. With the outlook for the deposit facility rate stable, money market rates remain in negative territory. The US dollar no longer benefited significantly from US monetary policy and weakened considerably against the euro compared to the level at year-end. The EUR/USD cross currency basis swap spreads narrowed in the first quarter of 2017 across the entire relevant maturity curve. In the short, medium and longer maturity bands, the spreads have moved in a range from -35 to -30 basis points since the beginning of March, and temporily even slightly lower. Apparently, the primary reason spreads tightened was the increased issuance of corporate bonds denominated in US dollars by non-US issuers, which reduced the demand for US dollar liquidity across the cross currency basis swap market accordingly.

Aircraft

According to the calculations of the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) increased by 7.0 per cent in the first three months of 2017 year on year. The growth rates were 7.1 per cent for international traffic and 6.7 per cent for domestic traffic. There were clear geographical differences in these transport trends. Passenger traffic in the Asia/Pacific (10.0 per cent), the Middle East (9.1 per cent) and Europe (6.9 per cent) showed above-average performance. The impact of geopolitical uncertainties has had only a temporary impact on the global growth of passenger traffic. Instead, growth has mainly been supported by the recovery of the global economy and cheaper flights as a result of lower oil prices.

The number of freight tonne kilometres sold rose by 9.7 per cent in the first three months of 2017 compared to the same quarter the year before. Measured in terms of market share, the growth drivers were air freight companies in Europe and the Asia/Pacific, which rose year on year by 12.8 per cent and 10.0 per cent respectively. This growth was due to the healthy state of global trade and strong demand for express air freight as a result of the boom in e-commerce.

Shipping

The shipping markets continued their up and down trend at the start of 2017. The performance of the different sectors once again varied. One important factor to consider here is that the Chinese New Year this year was at the end of January. This had a temporarily negative effect on both the dry bulk and the container sectors. The fluctuations in demand around this date are reflected in freight rates. For example, in the dry bulk sector the consolidation of the Baltic Dry Index continued. The recovery phase then continued from the middle of February until the end of the quarter. China remains the dominant factor for the sector, with its rising iron ore and coal imports the main reason for the new trend reversal. The number of vessels scrapped fell as a result of the market recovery. Just 4.4 million dwt were removed from the market in the first three months of 2017. This figure was nearly 14 million dwt in the same period the year before.

The container sector initially remained stagnant at the start of the year. By mid-quarter, more than 7 per cent of the global container fleet was were laid up. The market first had to absorb the tonnage made available as a result of the Hanjin bankruptcy. Freight rates on the main routes were negative in the first quarter of 2017. As a result, the number of vessels scrapped remained at a high level. In total, some 204 000 TEU were taken off the market from January to March. However, as the start date of the new major three liner alliances approached, the establishment of new service structures led to a sharp increase on the charter market.

Although OPEC reduced its oil production slightly at the start of the year, US production picked up during the same period. However, competitive pressure in the tanker sector remains high, which is reflected in falling freight rates in both Baltic Exchange indices (Dirty and Clean). While the number of tankers scrapped in the first quarter remained low, the glut of deliveries continued unabated. Oil prices initially rose slightly, year on year, but the sidewards movement around the USD 50/barrel mark in the first three months of 2017 was not nearly enough to boost the offshore industry.

Real Estate

Global real estate markets were robust in the first quarter of 2017, although there are still political uncertainties, such as the upcoming elections in Europe.

At a total of about USD 136 billion, the global commercial real estate transaction volume remained nearly unchanged in the first quarter of 2017 compared with the same quarter the year before (USD 137 billion). The EMEA region, which makes up about 38 per cent of this total, was also at about the same level as the same quarter the year before, with a commercial transaction volume of USD 52 billion (USD 51 billion). The change in the commercial transaction volume in Spain was particularly positive, increasing by 31 per cent compared to the first quarter of 2016. The German commercial property market also started the new financial year off very strongly. In Germany, the commercial transaction volume in the first three months of the year was around € 12.6 billion, an increase of 59 per cent over the same quarter the year before and a new record. With a share of 41 per cent, the office properties market remained the most attractive asset class. The Big 7 (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart) took in a combined € 5.8 billion, or 46 per cent of the total commercial transaction volume in Germany (down five percentage points compared with the first quarter of 2016).

Financial sector

The European banking market has been in a state of profound change 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, very low interest rates and increasing regulation. In addition, the continuing digitalisation 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.

Market growth as measured in terms of the change in the volume of credit is – despite modest growth rates – restrained. This trend shows that European banks lack growth momentum, particularly as their business remains affected by the change in interest rates in the eurozone, as reflected in narrower interest margins. Lower margins on new business are also a consequence of high competitive pressure and the resulting cut-throat competition in most European banking markets.

Although a few banks are using the departure of market participants who have come under pressure as a strategy for expanding, most European banks are responding to current developments by reorganising business segments, focusing on core business, reducing balance sheet risks and initiating efficiency improvement programmes. This has revealed that there is considerable pressure on European banks, particularly on the cost side.

In addition to the expense of restructuring programmes that are underway, this is due to a sharp rise in costs as a result of ever stricter regulatory requirements and investments in IT structures, in part in connection with ongoing digitalisation. In short, the European banking system faces various structural problems that have negative implications for earnings. Ultimately, this restricts the ability of banks to absorb risks and build capital reserves.

The NORD/LB itself belongs to the ten largest banks in Germany based on its total assets. It has a good market position in its business with small and medium-sized companies in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania and its business with private clients in the Braunschweig region. NORD/LB is among the world's largest ship and aircraft financiers and has extensive expertise in the renewable energies segment.

As the top supervisory authority for the European financial market, the ECB is ramping up its regulatory activities. As a result – and accompanied by statutory changes related to the introduction of resolution mechanisms – the requirements regarding the maintenance of loss absorbing capacity (equity and debt instruments) will continue to increase. In this connection, it will be particularly important to keep an eye on changes to "liability cascades" as well as the introduction of new, subordinated bonds.

Significant events in the financial year

Regulatory requirements regarding minimum capital

According to EU Regulation No. 575/2013 on Regulatory Requirements for Banks and Securities Firms (CRR), NORD/LB must, at both the individual institution level and at Group level, comply with legally prescribed minimum equity ratios for the supervisory capital ratios Common Equity Tier 1 capital, Tier 1 capital and own funds and have a gradually increasing capital buffer by 2019. The numerator is the relevant equity ratio and the denominator is the relevant total risk exposure amount according to Art. 92 para. 3 CRR.

In addition, as the supervisory authority responsible for NORD/LB at Group level, the European Central Bank (ECB) required adherence, based on the Supervisory Reporting Process (SREP), to an individual capital requirement of 2.25 per cent, which must be comprised entirely of Tier 1 capital. In 2017, NORD/LB must observe the statutory capital conservation buffer of 1.25 per cent, and, as a national institution of systemic importance, must also maintain a capital buffer for other institutions of systemic importance of 0.33 per cent. Both capital buffers must be comprised of Common Equity Tier 1 capital.

The following table shows an overview of the NORD/LB Group's supervisory capital requirements in 2017:

	Common equity tier 1 (in € million)	Tier 1 capital ratio	Total capital ratio
Regulatory requirement	4,5	6,0	8,0
Additional requirement according to SREP	2,25	2,25	2,25
Capital conservation Buffer	1,25	1,25	1,25
Capital buffer for otherwise system relevance	0,33	0,33	0,33
Total requirement	**8,33**	**9,83**	**11,83**
31 Mar. 2017	**10,46**	**11,14**	**15,19**

NORD/LB met these capital requirements at all times in the first quarter of 2017.

However, as announced in the 2016 Annual Report, the Common Equity Tier 1 capital ratio fell in the first quarter of 2017 as a result of the full regulatory effect of the negative consolidated profit in 2016 on Common Equity Tier 1 capital.

Integration of Bremer Landesbank

On 7 November 2016, NORD/LB acquired all shares in Bremer Landesbank held by the Free Hanseatic City of Bremen and the Savings Banks Association of Lower Saxony, with legal effect from 1 January 2017.

In connection with the acquisition of all shares by NORD/LB, the two companies concluded a control agreement with loss pass-through rights that was approved by their owners: In addition, NORD/LB issued an unrestricted letter of comfort in favour of BLB.

A capital increase was carried out in the first quarter of 2017 in order to strengthen BLB's capital reserves and reduce pressure on its regulatory capital ratios, and a request to use a waiver in accordance with § 2a (1) and (2) of the German Banking Act (KGW) in conjunction with Art. 7(1) CRR was submitted to the competent regulatory authority.

The supervisory authority approved the request on 31 March 2017. For this reason, the banking supervision regulations regarding capital adequacy requirements at institution level, the requirements for reporting large loans as well as the calculation and safeguarding of risk-bearing capacity, the determination of strategies and the installation of processes to identify, assess, manage, monitor and communicate risks (§ 25a Para 1 (3) No. 1 KWG) passed to NORD/LB as the ultimate parent company. Moreover, in the reporting year Bremer Landesbank increased a synthetic securitisation transaction for the purposes of relieving regulatory capital. This involved increasing the first-loss tranche already placed.

In addition, the "One Bank" transformation programme was initiated in conjunction with NORD/LB that seeks to develop a seamless business model for both banks, an operating model modified in line with this new business model and the integration of BLB in NORD/LB. The legal and organisational integration will take place this year as part of a merger, though both brands will be retained.

The merger is still pending approval by the competent committees at both banks. The full integration of Bremer Landesbank into NORD/LB is the first step in the "One Bank" programme.

Report on the earnings, assets and financial position

(In the following text the previous year's figures for the first three months of 2016 or as at 31 December 2016 are shown in brackets.)

Earnings position

The NORD/LB Group had earnings before taxes of € 255 million in the first three months of the reporting period. The figures for the income statement are summarised as follows:

	1 Jan. - 31 Mar.2017 (in € million)	1 Jan. - 31 Mar.2016[1] (in € million)	Change (in %)
Net interest income	406	459	– 12
Loan loss provisions	126	435	– 71
Net commission income	43	54	– 20
Profit/loss from financial instruments at fair value through profit or loss fair value through profit or loss including Hedge Accounting	74	255	– 71
Profit/loss from financial assets	51	7	> 100
Profit/loss from investments accounted for using the equity method	3	– 7	> 100
Administrative expenses	318	297	7
Other operating profit/loss	125	– 136	> 100
Earnings before reorganisation and taxes	**258**	**– 100**	**> 100**
Reorganisation expenses	3	7	– 57
Earnings before taxes	**255**	**– 107**	**> 100**
Income taxes	41	– 14	> 100
Consolidated profit	**214**	**– 93**	**> 100**

[1] The previous year's figures were restated at individual items; for more see Note (3) Restatement of previous year's figures

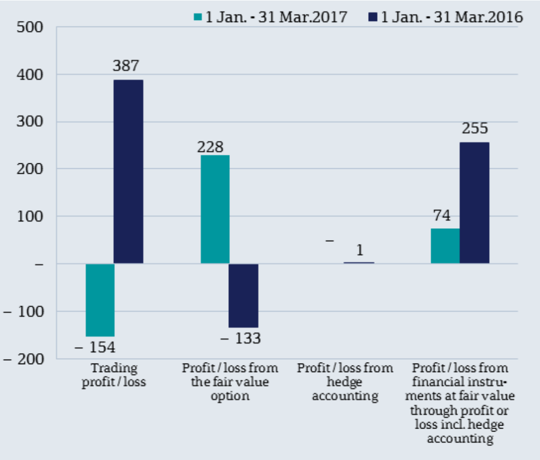
Due to persistently low interest rates on the money and capital markets, **net interest income** declined by € 53 million to € 406 million year on year. The decrease in interest income of € 202 million has a greater impact on earnings than the reduction in interest expenses of € 149 million. On the earnings side, the decrease was particularly pronounced in interest income from lending and money market transactions and from financial instruments at fair value through profit and loss. The expense side is also characterised by a decline in interest expenses for financial instruments at fair value through profit and loss.

Expenses from **loan loss provisions** decreased by € 309 million year on year to € 126 million.

This effect is primarily attributable to the € 310 million decrease in net allocations to specific valuation allowances compared to the same period the year before, especially in ship finance.

Net commission income fell by € 11 million to € 43 million, year on year. Commission income from the brokerage business fell as a result of lower lending fees.

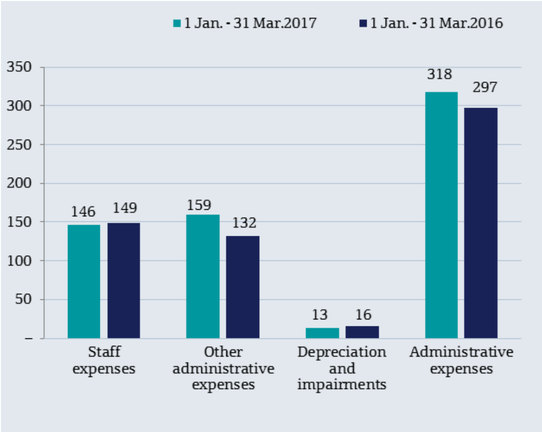
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting amounted to € 74 million and fell by € 181 million, year on year. This effect is mainly attributable to decreased trading income compared with the previous year, which was more than offset by the positive contribution from the fair value option. The trading profit/loss was impacted by the negative trend of realised profit/loss and valuation gains/losses from registered bonds and promissory notes, as well as interest rate derivatives due to the rise in the EUR interest rates compared with the previous year. Earnings from currency derivatives fell, mainly as a result of the narrowing of the EUR/USD basis spread. The profit/loss from the fair value option, which made a positive contribution to earnings, was affected by inverse interest and credit spread-driven effects.



Profit/loss from financial investments amounted to € 51 million and was thus up by € 44 million year on year. This is largely the result of an increase of € 40 million in profit/loss from the sale of available-for-sale (AfS) financial assets. Furthermore, the sale of two investments also made a positive contribution to earnings.

At € 3 million, the profit/loss from investments accounted for using the equity method is € 10 million higher than it was during the same period last year, as the previous year was disproportionately affected by amortisation and depreciation.

Administrative expenses rose by € 21 million year on year. This effect is largely down to the increase of € 12 million in appraiser and consulting expenses and the increase of € 10 million in service expenditures for IT as part of the ongoing development of the IT roadmap. Administrative expenses include expenditures of € 25 million in connection with the deposit security reserve for Landesbanks and the ECB provision, which are included in the profit/loss for the first quarter in the amount of the annual contribution.



Other operating profit/loss rose by € 261 million year on year and amounted to € 125 million.

With an increased positive effect of € 197 million, the disposal of receivables, which mainly resulted from the decline in promissory notes, made a particularly strong contribution to earnings performance. In addition, the negative effect caused by the redemption of issued debt securities fell year on year by € 56 million. Expenses in connection with the EU banking levy had already been recognised during the year in the amount of the expected annual contribution and amounted to € 54 million during the reporting period.

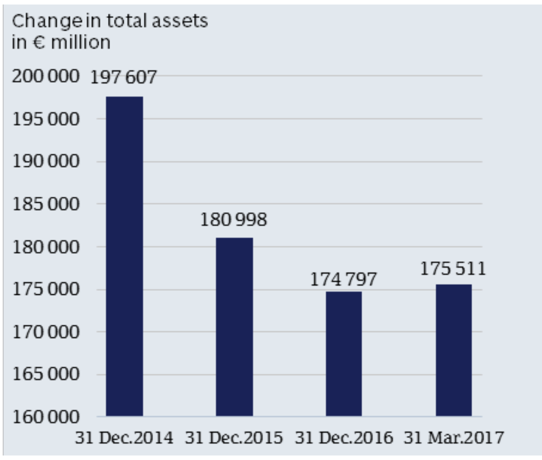
Reorganisation expenses of € 3 million include expenses for provisions for reorganisation measures as a result of the complete takeover of Bremer Landesbank and which are mainly for staff expenses. The previous year's result was primarily affected by net allocations to reorganisation provisions for agreements already concluded at the reporting date concerning the termination of employment contracts.

The expense for **income taxes** in the amount of € 41 million was reduced during the reporting period by losses carried forward and temporary differences that were not previously recognised.

Asset and financial position

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances to banks	26 308	21 747	21
Loans and advances to customers	103 662	105 640	– 2
Risk provisioning	– 3 811	– 3 797	–
Financial assets at fair value through profit or loss	11 447	12 526	– 9
Positive fair values from hedge accounting derivatives	2 017	2 327	– 13
Financial assets	30 376	31 574	– 4
Investments accounted for using the equity method	273	285	– 4
Assets held for sale	445	421	
Other assets	4 794	4 074	18
Total assets	**175 511**	**174 797**	–
Liabilities to banks	49 185	49 241	–
Liabilities to customers	56 881	57 301	– 1
Securitised liabilities	37 532	35 815	5
Financial liabilities at fair value through profit or loss	14 331	15 056	– 5
Negative fair values from hedge accounting derivatives	2 741	2 945	– 7
Provisions	2 772	2 753	1
Liabilities held for sale	9	19	
Other liabilities	1 793	1 642	9
Subordinated capital	3 997	3 984	–
Reported equity including non-controling interests	6 270	6 041	4
Total liabilities and equity	**175 511**	**174 797**	–

Total assets were almost unchanged compared to 31 December 2016.



Loans and advances to banks rose by € 4,561 million year on year to € 26,308 million. This change was mainly the result of the increase in current receivables from money market transactions against German banks. Other loans and advances were down slightly as a result of the reduction in the portfolio of promissory notes and cash provided as collateral.

Loans and advances to customers continued to be the most significant balance sheet item and remained unchanged at 59 per cent of the total (60 per cent). This item fell by € 1,978 million year on year, primarily due to the decrease in receivables from public-sector promissory notes and receivables from ship and aircraft mortgage loans.

Risk provisioning rose by € 14 million year on year to € 3,811 million. Taking account of the assets held for sale recognised in the balance sheet in accordance with IFRS 5, risk provisioning fell from € 4,508 million to € 4,440 million. In particular, this was due to the planned reduction of the shipping portfolio.

Financial assets at fair value through profit or loss, including trading assets and financial assets designated at fair value, were down by € 1,079 million year on year. In particular, this decline was due to valuation and volume effects, which were mirrored on the liabilities side.

As a result of the drop in available-for-sale (AfS) financial assets forming part of the reduction in the total risk exposure amount, the **financial assets** portfolio fell by € 1,198 million year on year and now amounts to € 30,376 million.

In addition to a net receivables portfolio from the Ship Customers segment (€ 269 million), **assets held for sale** in the amount of € 445 million (€ 421 million) included assets from fully consolidated shipping companies (€ 88 million) and financial instruments (€ 88 million).

The increase in **other assets** was primarily due to the rise in cash reserves.

Liabilities to banks fell slightly by € 56 million year on year to € 49,185 million. The decrease was mainly due to lower liabilities resulting from money market transactions.

Liabilities to customers fell by € 420 million year on year to € 56,881 million. In particular, this decline was the result of a smaller portfolio of money market transactions.

The increase in **securitised liabilities** of € 1,717 million to € 37,532 million was mainly due to new issues of Pfandbriefs and municipal debentures.

Liabilities at fair value through profit and loss consist of trading liabilities and financial liabilities designated at fair value. Year on year, the € 725 million decline, with the inverse amount on the assets side, is based on valuation and volume effects.

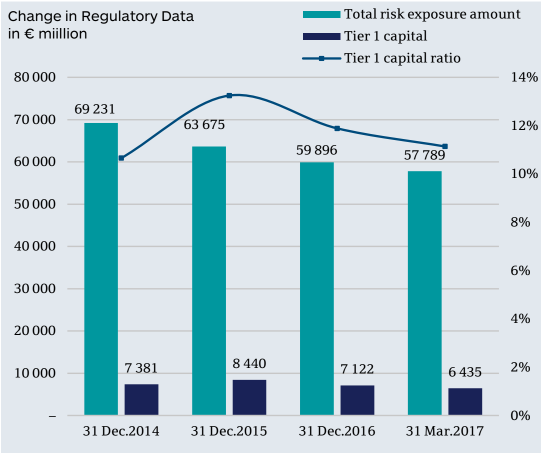
Provisions were nearly the same as the previous year's level.

Liabilities held for sale in the amount of € 9 million (€ 19 million) were mainly the result of the liabilities of fully consolidated shipping companies.

The increase in **other liabilities** was mainly due to false forward transactions in securities.

There were no changes in **subordinated capital**.

The increase in **reported equity** of € 229 million to € 6,270 million was mainly due to the quarterly result.



Overall assessment

The NORD/LB Group's financial position and financial performance were in good shape in the first quarter of 2017, despite a market environment that remains challenging. Earnings before taxes amounted to € 225 million.

Forecast, opportunities und risk report

General economic development

Global economic outlook

Following a weak start into 2017, the US economy should gradually pick up steam again; for the year as a whole, an increase in real economic activity of just above 2 per cent continues to be the favoured scenario. Much more friendly figures are expected as early as in the second quarter. However, no major positive effects are expected in 2017 as a result of the new economic policy in Washington. Following the surprisingly strong growth of the Chinese economy in the first quarter, economic activity for the rest of the year is expected to be somewhat more muted. The eurozone will continue its economic recovery over the next quarters. Consumer price inflation in the single currency area will remain below the European Central Bank's target in 2017.

Economic forecast for germany and the eurozone

Data that has, on the whole, been very positive has led to the expectation that growth in Germany in the first half of the year will be well above potential. In particular, key sentiment indicators, such as the ifo business climate and the ZEW survey, are at record levels, signalling that economic growth will be very strong over the course of the year – despite all of the geopolitical risks. NORD/LB is forecasting an increase in economic output of 1.6 per cent for 2017 as a whole, which is slightly below the growth posted in the previous year only because of the smaller number of working days. The driving forces are backed by domestic demand that is fuelled by private sector and government consumption as well as by vivid construction activity. The overall economic outlook for the eurozone is also good. NORD/LB anticipates real economic growth in 2017 of 1.7 per cent year on year. Private consumption remains a key pillar here, and investments will increase considerably as well. Monetary policy will remain highly accommodative for the time being, making for a very favourable monetary environment. However, this positive economic outlook is subject to some not insignificant risks. For example, geopolitical conflicts and the threat of global terrorism, the foreign and economic policy course of the US government, the difficult negotiations involving the UK's exit from the European Union and, not least, the rise of populist right-wing and eurosceptic movements will cause considerable friction or, at the very least, uncertainty.

Financial market development and interestrate forecast

Following its third rate hike in March, the US Fed will continue with its announced plan to gradually tighten monetary policy, making at least one more rate move this year. However, the pace of the return to a more neutral course will likely remain unhurried. By contrast, the ECB will continue its ultra-expansive monetary policy for the rest of this year, as regards both its key rates and its asset purchase programme. However, one can expect a more intensive tapering debate in the second half of the year and a gradual exit from the asset purchasing programme starting in 2018. With inflation rates normalising and assuming there are no further political shocks, government bond yields should, in view of the current situation, rise slightly; a yield of 0.80 per cent on 10-year Bunds seems possible by the end of 2017. While the global monetary policy environment speaks in favour of a strong US dollar, the new government in Washington has recognised that currency policy is a potentially important trade policy measure. For example, Donald Trump wants to keep the US currency weaker in the short term. The dollar is suffering as a result. NORD/LB forecasts that the EUR/USD exchange rate will be 1.10 by the end of the year. In the short to medium term, NORD/LB expects the EUR/USD cross currency basis swap spreads to widen again slightly to a level of around -40 basis points. The 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 balance sheet 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-inable balance sheet 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 stricter 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 current outlook for the growth of the global economy does not point to a further worsening of the crisis; on the contrary, there is a slight hope of improvement. Although the growth forecast at the start of the year remained unchanged, the IMF increased its estimate of global GDP growth in 2017 to 3.5 per cent (from 3.4 per cent) at the beginning of April. The global economy grew by only 3.1 per cent in 2016. By contrast, the expectation for 2018 remains unchanged at 3.6 per cent. Overall, the long-term growth outlook remains muted, especially for industrialised nations, but there is growth momentum in emerging and developing countries, with rising commodities prices a significant factor. By contrast, with a view to US production, which continues to rise, it remains to be seen whether OPEC will be able to further limit oil production in 2017 and thus stabilise or even increase oil prices.

The launch of the three new major liner alliances breathed life into the charter market. In combination with the ongoing high level of scrappage, increased demand has a positive impact on the idle fleet. In the short term, a further decline in the number of idle ships seems possible, which initially points to a certain amount of stability for charter rates. However, 1.3 million TEU of new tonnage will have to be absorbed by the market this year. Because most of this new tonnage involves container ships with high load volumes there will likely continue to be cascade effects and the resulting competitive pressure.

While there are increasing signs of a trend reversal in the dry bulk sector, it is too early to sound the all-clear. Deliveries of 51.1 million dwt forecast for 2017 may not be absorbed by the number of vessels scrapped. The order restraint that has persisted since 2016 will have a positive effect from 2018 onwards, provided it is still last then. On the demand side, unexpectedly stable economic growth in China will remain supportive initially. In the medium term, hope rests on new infrastructure projects ("one belt, one road").

The order boom in the past will still have a negative impact on the tanker sector in 2017. According to the current order book, planned deliveries for 2017 amount to 46.2 million dwt, near the record set in 2009 (47.9 million dwt). The fleet will definitely grow further this year, even if an increasing number of tankers are scrapped. Because growth rates on the demand side are expected to be low, the sector remains under pressure on both the crude oil and the product sides. As a result, a sustained recovery of rates is not expected over the next several months. In addition, the increasing availability of tonnage is having a negative impact on asset prices.

High order backlogs continue to provide reason for optimism among manufacturers of cruise ships. The cruise ship industry will once again benefit from fresh increases in passenger figures in 2017.

Aircraft

For 2017, IATA is expecting growth in global passenger traffic (RPK) of 5.1 per cent, which is below the average growth over the past ten years of 5.7 per cent. It is also forecasting that global airlines will post lower net profits of USD 29.8 billion in 2017. This would correspond to a net margin of around 4.1 per cent. 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 (9.0 per cent) and Asia/Pacific (7.0 per cent). The IATA forecasts are fraught with uncertainty, especially as a result of global risks (including Syria, Turkey and North Korea), the effects of Brexit and increasing levels of protectionism.
In view of the healthy state of global trade and the growth of e-commerce, IATA expects air cargo volume (FTK) demand to increase by 3.5 per cent. Current indicators, such as global purchasing managers' indices, point to an ongoing recovery of air freight in the near future.

Real Estate
On the whole, the global commercial real estate market remains attractive for investors, although political uncertainties (e.g. US policy focus, elections in Europe) could affect market events. Against this background, the volume of commercial real estate transactions in financial year 2017 is expected to be lower than the previous year, at $ 625 to 650 billion (2016: $ 661 billion). European real estate markets will continue to benefit from stable economic conditions and low interest rates. In view of its good fundamentals, Germany in particular will continue to be viewed as an important safe investment haven, as a result of which the forecast points to a commercial transaction volume on the German real estate market in 2017 of more than € 50 billion.

Extended risk report

Risk-bearing capacity

As at 31 March 2017, the risk-bearing capacity of NORD/LB was calculated for the first time on the basis of the enhanced model approach (Risk Appetite Control Engine, or RACE). The 31 December 2016 reference date was adjusted retrospectively.

Risk-bearing capacity is said to exist if all key risks pursuant to the Bank's overall risk profile are covered by the available capital on an ongoing basis.

With respect to the presentation of results, the risk potential of the major risk types will continue to be compared with the available risk capital in the primary management approach (business case), assuming a confidence level of 99.9 per cent (instead of the previous 95.0 per cent).

Regulatory capital forms the starting point for determining the risk capital. At NORD/LB, the available risk capital in the context of the enhanced model approach is calculated on the condition that in the event the risk limit is fully utilised by the economic risk potential, regulatory capital requirements and internal regulations will be met.

The utilisation of the available risk capital by the risk potential in the business case improved slightly compared to the reference date and amounted to 62 per cent as at the reporting date (70 per cent). This is mainly due to the decrease in risk potential from counterparty risks and market risks. The reduction in the market risk could mainly be traced back to NORD/LB AöR and was primarily due to changes to the presentation of the present value of the market risk of pension and assistance commitments to actuarial cash flows, which was carried out as at the reporting date.

Risk-bearing capacity (in € million)	31 Mar.2017		31 Dec.2016[1]	
Risk capital	**5 708**	**100%**	**5 712**	**100%**
Credit risk	2 374	42%	2 567	**45%**
Market-price risk	685	12%	914	**16%**
Liquidity risk	167	3%	234	**4%**
Operational risk	322	6%	275	**5%**
Total risk potential	**3 548**	**–**	**3 990**	**0**
Risk capital utilisation	**–**	**62%**	**0**	**70%**

[1] Die Vorjahreswerte wurden rückwirkend auf das neue RACE-Modell angepasst.

The requirements of the Group risk strategy in respect of the maximum permissible limit utilisation at the level of the material risk types also continued to be met as at the reporting date of 31 March 2017. Of the various material risk types (counterparty, market, liquidity and operational risks), counterparty risks continued to account for the largest share of the total risk potential.

Credit risk

Counterparty risk is comprised of credit risk and investment risk. The developments as regards credit risk are shown below.

The maximum default risk amount for on-balance sheet and off-balance sheet financial instruments rose in the first three months of 2017. This is mainly due to loans and advances to banks, financial assets at fair value through profit or loss and positive fair values from hedge accounting derivatives.

Risk-bearing financial instruments (in Mio €)	Maximum default risk 31 Mar.2017	Maximum default risk 31 Dec.2016
Loans and advances to banks	26 307	21 746
Loans and advances to customers	99 851	101 844
Adjustment item for financial instruments hedged in the fair value hedge portfolio	85	130
Financial assets at fair value through profit or loss	11 447	12 526
Positive fair values from hedge accounting derivatives	2 017	2 327
Financial assets	30 376	31 574
Sub-total	**170 083**	**170 147**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	13 621	14 579
Total	**183 704**	**184 726**

The total exposure of the NORD/LB Group is € 196 billion (€ 195 billion). The quality of the NORD/LB Group's loan portfolio has not changed so far in 2017. The share of non-performing loans as at the reporting date was 5.3 per cent (5.5 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 "Very good to good" rating category remains at a high level at 76 per cent as at the reporting date (76 per cent). This is explained in particular by the importance 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[3)] 31 Mar.2017	Securities[4)] 31 Mar.2017	Derivates[5)] 31 Mar.2017	Other[6)] 31 Mar.2017	Total exposure 31 Mar.2017	Total exposure 31 Dec.2016
very good to good	96 272	29 532	7 842	16 003	149 648	147 508
good / satisfactory	14 723	740	441	1 473	17 377	16 583
reasonable / satisfactory	6 860	284	141	823	8 107	8 736
increased risk	3 645	469	80	414	4 609	5 319
high risk	1 687	–	22	170	1 879	1 754
very high risk	3 837	12	25	111	3 984	4 104
default (= NPL)	10 221	–	67	50	10 338	10 700
Total	**137 245**	**31 037**	**8 619**	**19 043**	**195 943**	**194 705**

1) The ratings are assigned on the basis of 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 (49 per cent) and still constitutes a significant share of the total exposure.

1)2) (in € million)	Loans[3] 31 Mar.2017	Securities[4] 31 Mar.2017	Derivatives 31 Mar.2017	Other[6)] 31 Mar.2017	Total exposure 31 Mar.2017	Total exposure 31 Dec.2016
Financing institutes / insurance companies	36 152	14 521	3 384	8 627	62 684	58 851
Service industries / other	55 463	14 587	2 287	1 634	73 971	75 759
– Of which: Land, housing	19 203	7	479	398	20 087	19 489
– Of which: Public administration	19 833	14 343	1 185	191	35 552	37 517
Transport / communications	21 724	507	631	342	23 203	24 171
– Of which: Shipping	15 789	–	68	75	15 931	16 703
– Of which: Aviation	2 910	–	10	–	2 921	2 986
Manufacturing industry	6 231	701	882	349	8 163	8 263
Energy, water and mining	11 188	626	961	6 408	19 183	19 014
Trade, maintenance and repairs	4 226	65	346	277	4 913	4 773
Agriculture, forestry and fishing	789	–	5	1 320	2 114	2 111
Construction	1 471	31	124	85	1 711	1 762
Total	**137 245**	**31 037**	**8 619**	**19 043**	**195 943**	**194 705**

[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 loan exposure by region shows that the eurozone accounts for a high share of 80 per cent (80 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 (64 per cent).

1)2) (in € million)	Loans[3)] 31 Mar.2017	Securities[4)] 31 Mar.2017	Derivatives[5] 31 Mar.2017	Other[6] 31 Mar.2017	Total exposure 31 Mar.2017	Total exposure 31 Dec.2016
Euro countries	107 672	24 521	4 773	18 860	155 826	155 616
– Of which: Germany	89 542	15 968	2 882	18 110	126 502	125 486
Other Europe	12 757	2 527	2 596	124	18 004	16 703
North America	7 848	3 038	712	17	11 614	11 575
Middle and South America	2 742	219	28	–	2 990	3 229
Middle East / Africa	892	–	6	42	940	1 094
Asia / Australia	5 333	732	503	–	6 569	6 489
Total	**137 245**	**31 037**	**8 619**	**19 043**	**195 943**	**194 705**

[1)] The figures are reported, as in the internal reports, by economic criteria.
[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 € 6.6 billion (€ 7.0 billion). Their share of the total exposure is 3 per cent (4 per cent). The share of receivables owed by the respective countries, regional governments and municipalities is € 1.7 billion (€ 1.8 billion) and still accounts for 1 per cent of the total exposure.

Exposures in selected European countries[1)2)] (in € million)	Greece 31 Mar. 2017	Ireland 31 Mar. 2017	Italy 31 Mar. 2017	Portugal 31 Mar. 2017	Spain 31 Mar. 2017	Total 31 Mar. 2017
Sovereign Exposure	–[0]	236[0]	919[0]	262[0]	239	1 657
– Of which: CDS	–[0]	215[0]	–[0]	173[0]	–	389
Financing institutes / insurance companies	–[0]	377[0]	149[0]	15[0]	774	1 315
Corporates / Other	6[0]	2 787[0]	433[0]	75[0]	306	3 608
Total	**6**	**3 400**	**1 501**	**353**	**1 320**	**6 580**

[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)]	Greece 31 Dec. 2016	Ireland 31 Dec. 2016	Italy 31 Dec. 2016	Portugal 31 Dec. 2016	Spain 31 Dec. 2016	Total 31 Dec. 2016
Sovereign Exposure	–	239	940	348	237	1 764
– Of which: CDS	–	217	–	199	–	416
Financing institutes / insurance companies	–	367	166	15	899	1 447
Corporates / Other	6	2 933	436	91	267	3 734
Total	**6**	**3 539**	**1 542**	**454**	**1 403**	**6 945**

[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 € 1.1 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 sovereign exposure and exposure to financing institutions and insurance companies in Cyprus.

In Hungary, the NORD/LB Group has an exposure of € 148 million (€ 113 million sovereign exposure, € 31 million corporates/others), € 4 million financing institutions and insurance companies), in Russia it has an exposure of € 214 million (€ 125 million financing institutions and insurance companies, € 88 million corporates/others) and in Argentina € 69 million (corporates and others). The exposure in Ukraine is of minor significance.

NORD/LB is also very closely monitoring and analysing developments in the countries mentioned. However, the Group does not consider further valuation allowances are required here at this stage. Further details can be found in the Notes to the Interim Report in the notes for the selected European countries.

[1)2)] (in € million)	Greece 31 Mar. 2017	Ireland 31 Mar. 2017	Italy 31 Mar. 2017	Portugal 31 Mar. 2017	Spain 31 Mar. 2017	**Total 31 Mar. 2017**
up to 1 year	–	–	222	40	156	**418**
more than 1 up to 5 years	–	236	147	222	67	**673**
more than 5 years	–	–	549	–	16	**566**
Total	**–**	**236**	**919**	**262**	**239**	**1 657**

[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)]	Greece	Ireland	Italy	Portugal	Spain	**Total**
(in € million)	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	**31 Dec. 2016**
up to 1 year	–	–	25	100	148	**273**
more than 1 up to 5 years	–	239	353	248	74	**913**
more than 5 years	–	–	562	–	16	**578**
Total	**–**	**239**	**940**	**348**	**237**	**1 764**

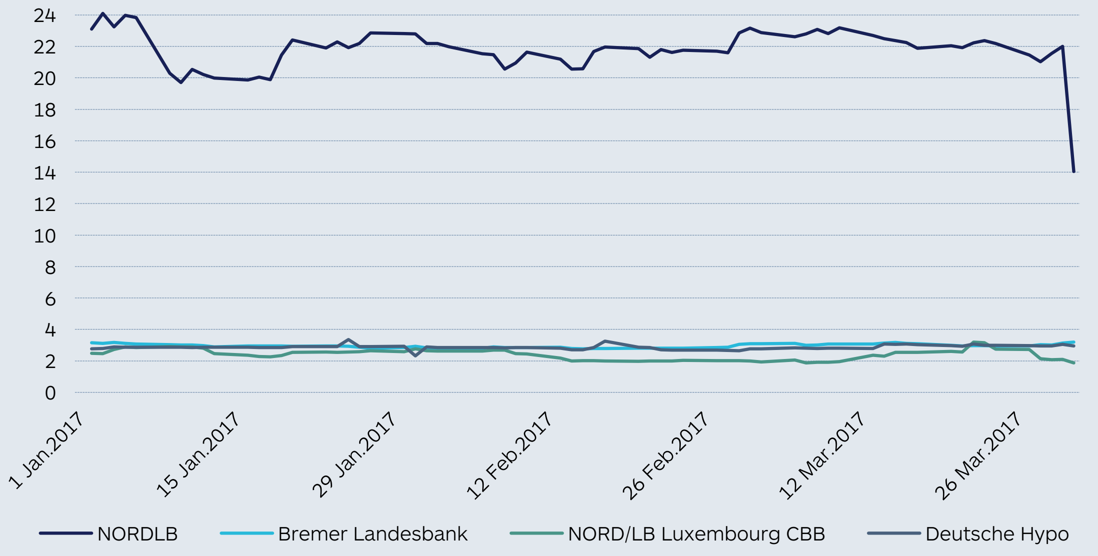
1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

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

A decreased value-at-risk (VaR) of € 16 million was calculated for the NORD/LB Group as at the reporting date (€ 18 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 € 99 million in the NORD/LB Group as at the reporting date (€ 95 million).
In addition to the market risks of the trading book, the ratio also includes the present value of the market risks of the investment book, i.e. in particular interest-rate risks in the investment book. The calculation of credit spread 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.

Value-at-Risk of NORD/LB (95%, 1 day)
in € million



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 € 22 million and € 33 million from the start of January to the end of March, with an average value of € 30 million. The NORD/LB AöR portfolios have the highest risks.

The risk types are dominated by interest rate risks, including credit-spread risks. The reduction in risks at the end of the reporting period is the result of a change to the modelling of pension commitments of NORD/LB AöR in the interest-rate risk. The presentation that had previously been used was replaced by modelling using actuarial cash flows.

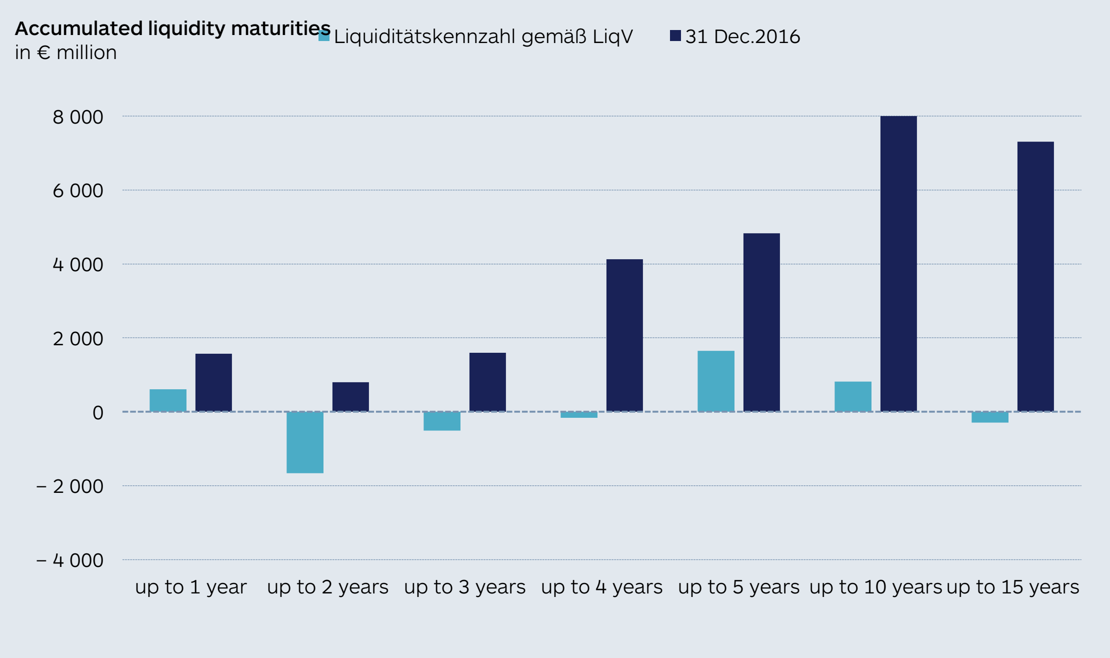
Market-price risks[1]	Maximum		Average		Minimum		End-of year risk	
	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2016	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2016	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2016	1 Jan. - 31 Mar. 2017	1 Jan. - 31 Mar. 2016
Interest-rate risk (VaR 95 %, 1 day)	33 088	36 291	30 131	28 215	20 649	21 870	15 608	20 118
Currency risk (VaR 95 %, 1 day)	3 722	2 224	2 799	1 345	2 011	841	2 445	1 600
Share-price and fund-price risk (VaR 95 %, 1 day)	2 687	3 450	2 145	2 767	1 805	1 429	1 430	1 998
Volatility risk (VaR 95 %, 1 day)	4 318	4 231	2 839	2 412	2 046	1 635	1 933	3 309
Other add-ons	106	132	86	87	57	58	43	56
Total	32 902	32 269	29 994	26 398	22 119	21 313	16 243	18 264

[3] 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.

The number of backtesting exceptions in the NORD/LB AöR did not change during the reporting period.

Liquidity risk

The liquidity situation on the markets eased further during the reporting year, in particular as a result of the ongoing measures undertaken by the European Central Bank. However, there continued to be uncertainty and risks as a result of the current political developments in the US, the UK and France as well as high levels of debt in various EU countries. For NORD/LB, the ongoing shipping crisis remains a focus and has long already been included in its stress scenarios. The cumulative liquidity maturity balance sheet has lower liquidity surpluses or liquidity gaps now instead of liquidity surpluses in all areas as at the reporting date compared to the end of the previous year. This is largely due to the change in the presentation of equity in the liquidity maturity balance sheet. Outflows are no longer modelled as a final item in the last maturity band, but rather as a rolling item in accordance with the structural refinancing needs of the NORD/LB Group. The liquidity gaps are all within the liquidity risk limits derived from the risk-bearing capacity model. During the course of 2017, the NORD/LB Group had sufficient liquidity at all times. At the NORD/LB level, the liquidity risk limits were met at all times as at the reporting date, 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 € 38 billion (€ 39 billion), of which 82 per cent (82 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 167.1 per cent as at the reporting date (110.3 per cent).

Liquidity ratio in accordance with the LiqV[1]	31 Mar.2017	31 Dec.2016
NORD/LB	2,43	1,91
Bremer Landesbank	3,06	2,65
Deutsche Hypo	2,14	1,98

[4] There are no legal requirements that oblige NORD/LB Luxembourg to calculate a comparable key figure.

Operational risk

The establishment of integrated OpRisk management was continued in the reporting period. As at the reporting date, there were no risks that jeopardised its status as a going concern.

Overall Assessment

The NORD/LB Group started 2017 on a successful note. However, it has not been able to extend success of the first quarter to the entire year, as the economic environment remains challenging, in part because of persistently low interest rates, the changes in exchange rates and the situation on the shipping markets. The impact on risk provisioning from the shipping crisis continues to be forecast at an elevated level, but it is expected to be partially offset by the eased risk situation in other business areas of the Bank. Furthermore, the merger with Bremer Landesbank represents a major challenge. The NORD/LB Group currently anticipates that it will generate a positive result in 2017 and exceed the Group's planned earnings before taxes.

Earnings based on the proven, customer-oriented business model with highly diversified sources of income are much higher than the previous year and thus well above plan. This trend is due in large part to better than forecast central valuation effects as a result of the change of the capital market and unanticipated earnings in "Other operating profit/loss".

The NORD/LB Group forecast anticipates that risk provisioning will be moderately worse than planned, but significantly better than in the previous year. It will once again be primarily affected by the ship portfolio. The profit/loss from financial assets is expected to be much better in the 2017 forecast than in the projection.

Administrative expenses are forecast to be moderately higher than budgeted.

Overall, these developments in the 2017 forecast will probably result in the target being exceeded, both in terms of earnings before taxes and earnings after taxes. CIR and RoE will process positively.

The total risk exposure, based on the current assessment in the updated forecast, is moderately below the planned level. The planning for risk-weighted total liability amounts (risk-weighted assets, or RWA) and the regulatory equity of NORD/LB for 2017 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. These statutory regulations, including capital buffers that must be provided, and other mandatory requirements imposed by the banking supervisor with respect to regulatory equity are met in full and on an ongoing basis in the projection and in the current NORD/LB Group forecast.

The NORD/LB Group may see opportunities as a result of a sharp improvement in the economy, the departure of competitors from the market, an expansion of the Group's solid market position in established areas and positive valuation effects from key results, which would likely positively influence the Bank's results due to increased revenue and lower risk provisioning. The opportunities to boost the Bank's income by offering alternative capital market products through increased cross-selling activities and balance sheet turnover are promising.

On the other hand, risks could arise for the NORD/LB Group owing to political or economic developments, Brexit's impact, terrorist attacks, geopolitical tensions as well as regulatory requirements such as the results of stress tests, the implementation of IFRS 9 standards and further capital requirements. In many markets, competitive pressure is increasing, with effects on margins and new business. Moreover, developments in the shipping markets, sustained low interest rates, the possible end of the unrestricted availability of long-term uncovered funding and another potential rating downgrade, among other things, could negatively impact Group earnings.

Interim Consolidated Financial Statements as at 31 March 2017

Income Statement

	Notes	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016[1) 2)] (in € million)	Change (in %)
Interest income from assets		1 735	1 931	– 10
Interest expenses from assets		12	6	100
Interest expenses from liabilities		1 341	1 475	– 9
Interest income from labilities		24	9	> 100
Net interest income	**6**	**406**	**459**	**– 12**
Loan loss provisions	7	126	435	– 71
Commission income		75	85	– 12
Commission expenses		32	31	3
Net commission income	**8**	**43**	**54**	**– 20**
Trading profit / loss		– 154	387	> 100
Profit / loss from the fair value option		228	– 133	> 100
Profit / loss from financial instruments at fair value through profit or loss	**9**	**74**	**254**	**– 71**
Profit / loss from hedge accounting	10	–	1	– 100
Profit / loss from financial assets	11	51	7	> 100
Profit / loss from investments accounted for using the equity method		3	– 7	> 100
Administrative expenses	12	318	297	7
Other operating profit / loss	13	125	– 136	> 100
Earnings before reorganisation and taxes		**258**	**– 100**	**> 100**
Reorganisation expenses	14	3	7	– 57
Earnings before taxes		**255**	**– 107**	**> 100**
Income taxes	15	41	– 14	> 100
Consolidated profit		**214**	**– 93**	**> 100**
of which: attributable to the owners of NORD/LB		231	– 75	
of which: attributable to non-controlling interests		– 17	– 18	

1) The previous year's figures were restated at individual items; for more see Note (3) Adjustment of previous year's figures.
2) The previous year's figures were restated; to clarify net interest income, interest expenses from assets and interest income from liabilities were reported separately.

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. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016[1)] (in € million)	Change (in %)
Consolidated profit	**214**	**– 93**	**> 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	77	– 177	> 100
Investments accounted for using the equity method – Share of other operating profit / loss	4	– 5	> 100
Deferred taxes	– 24	57	> 100
	57	**– 125**	**> 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	– 97	– 11	> 100
Transfer due to realisation profit / loss	26	5	> 100
Translation differences of foreign business units			
Unrealised profit / losses	– 1	– 14	– 93
Investments accounted for using the equity method – Share of other operating profit / loss	– 9	16	> 100
Deferred taxes	31	4	> 100
	– 50	**–**	**–**
Other profit / loss	**7**	**– 125**	**> 100**
Comprehensive income for the period under review	**221**	**– 218**	**> 100**
of which: attributable to the owners of NORD/LB	238	– 196	
of which: attributable to non-controlling interests	– 17	– 22	

[1)] The previous year's figures were restated at individual items; for more see Note (3) Adjustment of previous year's figures.

Balance Sheet

	Notes	31 Mar.2017 (in € million)	31 Mar.2016 (in € million)	Change (in %)
Cash reserve		2 172	1 447	50
Loans and advances to banks	16	26 308	21 747	21
Loans and advances to customers	17	103 662	105 640	– 2
Risk provisioning	18	– 3 811	– 3 797	–
Balancing items for financial instruments hedged in the fair value hedge portfolio		85	130	– 35
Financial assets at fair value through profit or loss	19	11 447	12 526	– 9
Positive fair values from hedge accounting derivatives		2 017	2 327	– 13
Financial assets	20	30 376	31 574	– 4
Investments accounted for using the equity method		273	285	– 4
Property and equipment	21	407	420	– 3
Investment property		84	84	–
Intangible assets	22	156	154	1
Assets held for sale	23	445	421	6
Current income tax assets		42	42	–
Deferred income taxes		751	786	– 4
Other assets		1 097	1 011	9
Total assets		**175 511**	**174 797**	–

	Notes	31 Mar.2017 (in € million)	31 Mar.2016 (in € million)	Change (in %)
Liabilities to banks	24	49 185	49 241	–
Liabilities to customers	25	56 881	57 301	– 1
Securitised liabilities	26	37 532	35 815	5
Balancing items for financial instruments		897	1 033	– 13
Financial liabilities at fair value through profit or loss	27	14 331	15 056	– 5
Negative fair values from hedge accounting derivatives		2 741	2 945	– 7
Provisions	28	2 772	2 753	1
Liabilities held for sale	29	9	19	– 53
Current income tax liabilities		122	107	14
Deferred income taxes		101	126	– 20
Other liabilities		673	376	79
Subordinated capital	30	3 997	3 984	–
Equity	**31**			
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		1 226	939	31
Revaluation reserve		335	375	– 11
Currency translation reserve		– 7	– 6	17
Equity capital attributable to the owners of NORD/LB		**6 493**	**6 247**	**4**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		– 273	– 256	7
		6 270	**6 041**	**4**
Total liabilities and equity		**175 511**	**174 797**	**–**

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.2017	**1 607**	**3 332**	**939**	**375**	**– 6**	**6 247**	**50**	**– 256**	**6 041**
Comprehensive income for the period under preview	–	–	279	– 40	– 1	238	–	– 17	221
Changes in the basis of consolidation	–	–	7	–	–	7	–	–	7
Other changes in capital	–	–	1	–	–	1	–	–	1
Equity as at 31 Mar.2017	**1 607**	**3 332**	**1 226**	**335**	**– 7**	**6 493**	**50**	**– 273**	**6 270**

(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**
Adjusted comprehensive income for the period under preview	–	–	– 178	– 17	– 1	– 196	–	– 22	– 218
Other changes in capital	–	–	1	–	–	1	–	– 8	– 7
Adjusted Equity as at 31 Mar.2016	**1 607**	**3 332**	**2 316**	**437**	**– 10**	**7 682**	**50**	**556**	**8 288**

Condensed Cash Flow Statement

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**1 447**	**872**	**66**
Cash flow from operating activities	746	– 579	> 100
Cash flow from investing activities	19	– 1	> 100
Cash flow from financing activities	– 33	49	> 100
Total cash flow	**732**	**– 531**	**> 100**
Effects of changes in exchange rates	– 7	– 1	> 100
Cash and cash equivalents as at 31.3.	**2 172**	**340**	**> 100**

For transactions that led to the loss of control of subsidiaries and other business units, items were disposed of, primarily property and equipment in the amount of € 17 million and liabilities to customers in the amount € 9 million. Compensation of € 27 million was booked for these disposals.

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

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 31 March 2017 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 (IFRS) 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. The national provisions of the German Commercial Code (HGB) were also observed under § 315e HGB, to the extent applicable 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 2016.

NORD/LB as a group under commercial law is referred to below as the NORD/LB Group. The interim consolidated financial statements as at 31 March 2017 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 in brackets.

These interim consolidated financial statements were signed by the Managing Board on 23 May 2017 and approved for publication.

(2) Accounting Policies

Unless specified otherwise, the accounting policies for the interim financial statements are based on those of the consolidated financial statements as at 31 December 2016.

On the preparation date of the consolidated financial statements, adoption into European law by the EU Commission of the following amendments to standards applicable for the first time as at 1 January 2017 was still outstanding:

Amendments to IAS 7: Statement of Cash Flows – Disclosure Initiative

The objective of the amendment to IAS 7 is to improve information about changes to the entity's indebtedness. According to the new version of IAS 7, an entity must disclose changes to financial liabilities for which cash proceeds and payments are recognised in the cash flow statement under Cash flow from financing activities.

Additional reporting requirements are created for the NORD/LB Interim Consolidated Financial Statements with regard to IAS 7.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The changes to IAS 12 aim to clarify how certain regulations should be applied in connection with the recognition of deferred tax assets arising from acquired debt instruments measured at fair value. It is also made clear that for all deductible temporary differences, an overall assessment must generally be made as to whether an adequate taxable profit is likely to be available in future for use in connection with such differences.

Accounting of deferred taxes in the NORD/LB Interim Consolidated Financial Statements already conforms to the amendments, so the amendments to IAS 12 produce no effects.

Improvements to IFRS (cycle 2014 – 2016) as part of IASB's annual improvement process

Changes were made to IFRS 12 as part of the annual improvement process. These are applicable

for financial years beginning on or after 1 January 2017.
These amendments clarify that the scope of IFRS 12 also applies for shares in other companies that fall under IFRS 5; exceptions are the disclosure requirements under IFRS 12.B10 – B16.
The adjustments made to IFRS 12 as part of the IFRS annual improvement process (cycle 2014 – 2016) exert no influence on the Interim Consolidated Financial Statements of NORD/LB.

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 previous year's figures

When modernising the subsidiary accounting used to account for financial instruments in accordance with IFRS, the following changes were made in 2016 to accounting estimates in several Group companies.
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 underlying transaction, instead of using the effective interest method. When determining the corresponding hedge amortised cost for underlying transactions in portfolio-fair-value hedges, the yield 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 uniformly from the start of the period until the end of the period. The change in the estimate of interest distribution will avoid future mismatches in the profit/loss from hedge accounting due to the use of different methods of calculating the hedge amortised cost for hedging and underlying transactions. As well as a shift between net interest income and profit/loss from hedge accounting, this new method will impact the balancing items for financial instruments hedged in the portfolio fair value hedge, the revaluation reserve and consequently the consolidated profit and comprehensive income for the period under review.
Furthermore, profits/losses in foreign currency are set in euros on a daily basis, instead of once at a month's end as hitherto. The change in the estimation method to daily rate-setting will lead to more precise compliance with the standard requirements for foreign currency translation. It results in a shift between the foreign exchange profit/loss as reported in the trading profit/loss and other items of the Income Statement. Consolidated profit, however, is not affected.
The following effects in the Income Statement and the Statement of Comprehensive Income from the changes in estimates resulted for the period from 1 January until 31 March 2016 :

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 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, (10) Profit / loss from hedge accounting.

(4) Basis of Consolidation

The interim consolidated financial statements include not only NORD/LB as the parent company but also 38 (31 December 2016: 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 2016: 2) joint ventures and 10 (31 December 2016: 11) associates have been recognised. None of the associates are held for sale (31 December 2016: 1). The joint ventures and the associates are accounted for using the equity method.

The basis of consolidation has changed as follows in comparison to 31 December 2016:

Following the purchase of 45.17 per cent of the shares, as at 1 January 2017 NORD/LB legally holds 100 per cent of the shares in Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale - , Bremen (Bremer Landesbank). The acquisition of the shares held by non-controlling shareholders was anticipated in the consolidated financial statements as at 31 December 2016 (see Note (31) Equity). Bremer Landesbank will remain a fully-consolidated subsidiary in the consolidated financial statements of NORD/LB.

Three ship companies previously consolidated fully, whose assets as at 31 December 2016 were recognised under assets held for sale, were sold in the first quarter of 2017 and thus deconsolidated. These entities are Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG, Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG, both Hamburg, and Proud Parents Investments Co., Majuro/Marshall Islands. The profit on the deconsolidation was a total of € 5 million.

In January 2017 NORD/LB Vermögensmanagement Luxembourg S.A., Luxembourg-Findel/Luxembourg was also sold, which had been fully consolidated as at 31 December 2016 and held for sale.

Additionally, the shares in SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg, previously recognised as an associates under IFRS 5, were sold, and the company was deconsolidated as at 16 January 2017.

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 associates included in the interim consolidated financial statements can be found in Note (39) Overview of consolidated companies and special-purpose entities.

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, in accordance with the management approach. The segment information under IFRS is presented on the basis of internal reporting, in the same way as this information is regularly reported within the Group to assess performance and make decisions on the allocation of resources to segments. The segment reporting includes the corrections of the previous year's figures (see Note 6.2.3 Restatement of previous year's figures). The total risk exposure amount is now reported uniformly for the business segments and the Group with RWA in accordance with CRR / CRD IV as at the reporting date. The previous year’s figures were restated.

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. Calculations are based on the internal data of Group companies. Internal control focuses on the operational units’ earnings before tax (EBT).

An important criterion for the formation of segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and products demanded. There are no identifiable 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 according to 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 also the cost rate used by Treasury for the balancing 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 balancing positions in Treasury, as the central coordinating 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 from individual and portfolio-based valuation allowances is allocated to the segments according to actual costs incurred.

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 exposure amounts to be allocated, segment assets and liabilities, committed capital as well as the following metrics: cost-income ratio (CIR), return on risk-adjusted capital (RoRaC) and return on equity (RoE). The total risk exposure amount shows the RWA to be allocated in accordance with CRR / CRD IV as at the reporting date. The cost-income ratio 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 and loss, Profit/loss from hedge accounting, Profit/loss from investments accounted for using the equity method and Other operating profit/loss.

Calculation of RoRaC in the segments concerns the contribution to profit/loss before tax on committed capital (in this case, 9 per cent of the higher value of the RWA limit and the amount utilised).

Committed capital in the segments is determined on the basis of average annual values. The reconciling amount between the committed capital reported in the business segments and the long-term equity in the Group under 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 reported separately 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 customary 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 include the integrated advisory approach based on asset structure analysis, financial planning, asset succession, 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 former Braunschweig region) and neighbouring regions, but also the Agricultural Banking and Housing Divisions.

The Bank is a full-service provider that offers banking products and services. These 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 concept-based liquidity and risk management, structuring of equity measures and innovative financing instruments supplement the product range.

Markets

The Markets segment covers the financial market activities undertaken on behalf of customers in Germany, the foreign branches and in the Group companies. The Savings Bank Network Division comprises 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. debt securities of special types which are not standardised as regards interest and repayment, but instead offer alternatives in terms of returns and the manner or timing of repayment (structured securities). The secondary business includes sales and trading for securities of all types. Tailored solutions for institutional customers are also offered; these include structuring of special funds, pool fund solutions, portfolio management mandates and institutional public funds.

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

The Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers segments offer traditional lending products, innovative products and financial engineering, usually irrespective of the specific industry. The main focus is on financing for specific purposes.

Energy and Infrastructure Customers

This business segment brings together the global business relationships with customers of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (including renewables in particular) and Leasing Divisions. The product offering primarily comprises project financing related to a specific project or asset and tailored to meet individual needs. The structure of such financing is developed in the light of specific political and economic risks, legal and tax factors, social and societal 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 ship finance activities of NORD/LB and Bremer Landesbank are reported in this segment. The project requirements of customers in the Ship Customers segment are met with short to long-term financing, including equity pre-financing, interim finance, construction period finance (short and medium-term) and financing to completion (long-term). Ships are financed by providing loans or guarantees on an asset-related and (normally) asset-backed 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. Aircraft finance focuses on asset-based financing of passenger aircraft from reputable manufacturers. The target customers – airlines and leasing companies – are offered the NORD/LB Group's extensive expertise in core products coupled with tailored financing solutions. This 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. The focus is usually on 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 activities such as: Group companies not included in the segments; components of income at overall Bank level that are not allocated to the segments; profit / loss from financial instruments (in particular from central measurement effects), financial assets and hedge accounting that is not reported in profit / loss for the business segments; projects covering the entire Bank; consolidation items; profit / loss from management of the interest-rate risk; 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 items such as the bank levy.

Reconciliations

This section shows two types of activity: reconciling items between internal accounting and the consolidated figures in the Income Statement, and reclassifications of profit and loss items that are reported differently for internal control purposes and in the external reporting.

(5) Segment Reporting by Business Segment

31 Mar.2017 (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	44	89	49	50	90	28	58	34	– 36	406
Loan loss provisions	– 1	16	–	6	85	2	3	11	4	126
Net interest income after loan loss provisions	**45**	**72**	**49**	**44**	**5**	**26**	**55**	**23**	**– 40**	**280**
Net commission income	16	18	13	13	7	6	1	– 19	– 12	43
Profit / loss from financial instruments at fair value through profit or loss	–	4	24	6	2	–	–	36	1	74
Profit / loss from hedge accounting	–	–	–	–	–	–	–	–	–	–
Profit / loss from financial assets	–	–	–	–	–	–	–	51	–	51
Profit / loss from investments accounted for using the equity method	–	–	–	–	–	–	–	–	3	3
Administrative expenses	46	39	32	26	26	7	17	118	6	318
Other operating profit / loss	– 2	–	–	1	–	–	–	117	6	124
Profit / Loss before reorganisation and taxes	**14**	**56**	**55**	**38**	**– 12**	**24**	**39**	**92**	**– 48**	**258**
Reorganisation expenses	–	–	–	–	–	–	–	– 4	–	– 4
Earnings before taxes (EBT)	**14**	**56**	**55**	**38**	**– 12**	**24**	**39**	**88**	**– 48**	**255**
Taxes	–	–	–	–	–	–	–	–	41	41
Consolidated profit	**14**	**56**	**55**	**38**	**– 12**	**24**	**39**	**92**	**– 89**	**214**
Segment assets	6 942	23 713	35 162	16 828	16 201	7 682	14 813	57 286	– 3 117	175 510
of which: from investments accounted for using the equity method	44	–	–	–	–	–	–	229	–	273
Segment liabilities	6 797	8 262	49 258	3 097	1 714	540	409	101 073	4 361	175 510
Total risk exposure amount	3 951	13 020	3 882	7 333	10 816	5 269	6 027	5 452	2 040	57 789
Capital employed [2)]	476	1 469	415	899	1 417	665	717	1 284	– 1 621	5 721
CIR	78,2%	35,0%	36,7%	37,5%	26,1%	21,8%	29,5%			48,9%
RoRaC / RoE [3)]	11,0%	13,6%	38,1%	14,8%	-3,3%	14,5%	18,6%			17,8%

31 Mar.2016 (in € million)	Private and Commercial Customers	Corporate Customers[1]	Markets[1]	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others[1]	Reconcilations	NORD/LB Group
Net interest income before loan loss provisions	47	86	45	47	109	27	55	54	– 11	459
Loan loss provisions	– 2	69	–	– 1	394	– 1	– 3	– 22	–	435
Net interest income after loan loss provisions	**49**	**17**	**45**	**48**	**– 284**	**28**	**57**	**74**	**– 12**	**22**
Net commission income	16	17	12	28	8	3	2	– 15	– 17	54
Profit / loss from financial instruments at fair value through profit or loss	–	– 2	19	– 6	2	–	1	228	13	254
Profit / loss from hedge accounting	–	–	–	–	–	–	–	1	–	1
Profit / loss from financial assets	–	–	–	–	–	–	–	8	–	7
Profit / loss from invest ments accounted for using the equity method	–	–	–	–	–	–	–	– 7	–	– 7
Administrative expenses	47	36	34	25	28	7	17	99	5	297
Other operating profit / loss	– 1	–	1	1	–	–	–	– 117	– 20	– 136
Profit / Loss before reorganisation and taxes	**16**	**– 3**	**43**	**46**	**– 303**	**24**	**43**	**75**	**– 41**	**– 100**
Reorganisation expenses	–	–	–	–	–	–	–	– 8	–	– 8
Earnings before taxes (EBT)	**16**	**– 3**	**43**	**46**	**– 303**	**24**	**43**	**67**	**– 41**	**– 107**
Taxes	–	–	–	–	–	–	–	–	– 14	– 14
Consolidated profit	**16**	**– 3**	**43**	**46**	**– 303**	**24**	**43**	**67**	**– 26**	**– 93**
Segment assets	7 172	23 616	37 080	17 128	18 069	8 345	14 634	51 494	– 2 743	174 797
of which: from investments accounted for using the equity method	44	–	–	–	–	–	–	240	–	285
Segment liabilities	7 049	8 451	50 988	3 429	2 911	778	400	100 582	209	174 797
Total risk exposure amount	3 955	13 077	4 571	7 318	14 188	4 546	6 199	7 595	2 300	63 749
Capital employed[2]	386	1 158	399	710	2 629	452	539	952	1 006	8 231
CIR	76,2%	35,4%	44,2%	36,3%	23,5%	22,2%	28,9%			47,5%
RoRaC / RoE[3]	16,7%	-1,0%	37,2%	22,9%	-46,0%	21,2%	23,4%			-5,2%

(in € million)	31 Mar.2017	31 Mar.2016
Sustainable relating to german local GAAP equity	5 721	8 231
Revaluation reserve	336	452
Consolidated profit	214	– 372
Financial equity	**6 270**	**8 312**

[1] Allocation of roughly EUR 2 billion in segment assets changed compared to previous year.
[2] Reconciliation of long-term equity under commercial law to reported equity.
[3] RoRaC at the business level:
(earnings before taxes * 4) / committed core capital
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. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016[1) 2)] (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	800	852	– 6
Interest income from debt securities and other fixed-interest securities	118	139	– 15
Interest income from financial instruments at fair value			
Interest income from trading profit / loss and hedge accounting derivatives	646	758	– 15
Interest income from fair value option	8	9	– 11
Current income			
from shares and other non fixed-interest securities	1	–	–
from investments	8	4	100
Interest income from other amortisations	152	162	– 6
Other interest income and similar income	2	7	– 71
	1 735	**1 931**	**– 10**
Negativ interest income	**12**	**6**	**100**
Interest expense			
Interest expenses from lending and money market transactions	352	377	– 7
Interest expenses from securitised liabilities	97	125	– 22
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit / loss and hedge accounting derivatives	632	723	– 13
Interest expenses from fair value option	48	51	– 6
Interest expenses from subordinated capital	48	49	– 2
Interest expenses from other amortisations	152	134	13
Interest expenses from provisions and liabilities	11	14	– 21
Other interest expenses and similar expenses	1	2	– 50
	1 341	**1 475**	**– 9**
Positiv interest expenses	**24**	**9**	**> 100**
Total	**406**	**459**	**– 12**

1) The previous year's figures were restated at individual items; for more see Note (3) Adjustment of previous year's figures.
2) The previous year's figures were restated; to clarify net interest income, interest expenses from assets and interest income from liabilities were reported separately.

The interest expenses from assets and the interest income from liabilities relates to the Group's lending and money market business.

(7) Loan loss provisions

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowance	568	131	> 100
Reversal of lumpsum specific loan loss provisions	2	1	100
Reversal of general loan loss provisions	22	61	– 64
Reversal of provisions for lending business	11	7	57
Additions to receivables written off	8	8	–
	611	**208**	**> 100**
Expenses for provisions for lending business			
Allocation to specific valuation allowance	651	524	24
Allocation to lumpsum specific loan loss provisions	1	1	–
Allocation to general loan loss provisions	35	109	– 68
Allocation to provisions for lending business	26	4	> 100
Direct write-offs of bad debts	24	5	> 100
	737	**643**	**15**
Total	**126**	**435**	**– 71**

(8) Net commission income

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	71	81	– 12
Commission income from non-banking transactions	4	4	–
	75	**85**	**– 12**
Commission expense			
Commission expense from banking transactions	32	31	3
	32	**31**	**3**
Total	**43**	**54**	**– 20**

(9) Profit/Loss from financial instruments at fair value through profit or loss

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar.[1] 2016 (in € million)	Change (in %)
Trading profit / loss			
Profit / loss from debt securities and other fixed-interest securities	– 2	45	> 100
Profit / loss from shares and other non fixed-interest securities	–	– 2	– 100
Profit / loss from derivatives	– 123	238	> 100
Interest-rate risks	– 49	168	> 100
Currency risks	– 86	79	> 100
Share-price and other price risks	2	– 10	> 100
Credit derivatives	10	1	> 100
Profit / loss from receivables held for trading	– 33	91	> 100
	– 158	**372**	**> 100**
Foreign exchange result	– 1	15	> 100
Other income	5	–	–
	– 154	**387**	**> 100**
Profit / loss from the fair value option			
Profit / loss from receivables to customers and banks	– 4	8	> 100
Profit / loss from debt securities and other fixed-interest securities	1	23	– 96
Profit / loss from liabilties to banks and customers	191	– 106	> 100
Profit / loss from securitised liabilties	40	– 58	> 100
	228	**– 133**	**> 100**
Total	**74**	**254**	**– 71**

[1] The previous year's figures were restated at individual items; for more see Note (3) Adjustment of previous year's figures

(10) Profit/loss from hedge accounting

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

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar.[1] 2016 (in € million)	Change (in %)
Profit / loss from micro fair value hedges			
from hedged underlying transactions	– 70	173	> 100
from derivatives employed as hedging instruments	61	– 170	> 100
	– 9	**3**	**> 100**
Profit / loss from portfolio fair value hedges			
from hedged underlying transactions	18	– 61	> 100
from derivatives employed as hedging instruments	– 9	59	> 100
	9	**– 2**	**> 100**
Total	**–**	**1**	**– 100**

[1] The previous year's figures were restated at individual items; for more see Note (3) Adjustment of previous year's figures.

(11) Profit/loss from financial assets

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

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**1**	**– 1**	**> 100**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
Debt securities and other fixed-interest securities	27	1	> 100
Shares and other non fixed-interest securities	13	–	–
Profit / loss from allowances for losses on			
Debt securities and other fixed-interest securities	–	10	– 100
Other financial assets classified as AfS	8	– 3	> 100
	48	**8**	**> 100**
Profit / loss from shares in companies (not consolidated)	**2**	**–**	**–**
Total	**51**	**7**	**> 100**

(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. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Staff expenses	146	149	– 2
Other administrative expenses	159	132	20
Amortisation and depreciation	13	16	– 19
Total	**318**	**297**	**7**

(13) Other operating profit/loss

	1 Jan. - 31 Mar. 2017 (in € million)	1 Jan. - 31 Mar. 2016 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	3	1	> 100
from other business	221	31	> 100
	224	**32**	**> 100**
Other operating expenses			
from allocation to provisions	54	49	10
from other business	45	119	– 62
	99	**168**	**– 41**
Total	**125**	**– 136**	**> 100**

Income from other business includes income from the derecognition of receivables (€ 198 million (€ 2 million)) and income from the chartering of ships relating to restructuring commitments in lending business (€ 9 million (€ 17 million)).
Expenses from new allocations to provisions in the amount of € 54 million (€ 49 million) resulted from the expenses for the expected annual contribution to the Single European Bank Resolution Fund.

Expenses on other business comprise an impairment of € 21 million (€ 19 million) and expenses to realise charter income from ships (€ 7 million (€ 14 million)). The latter are predominantly due to the lower market values of ships as a result of the ongoing crisis in the ship market. Expenses on the derecognition of liabilities to banks and customers amount to € 7 million (€ 64 million) and expenses on the buyback of own bonds total € 6 million (€ 5 million).

(14) Reorganisation expenses

This item relates 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 reorganisation requirements are related to the takeover of Bremer Landesbank and a 2011 programme to boost efficiency. The figure amounting to a total of € 3 million (€ 7 million) comprises expenses from the allocation to reorganisation provisions. This includes € 3 million (€ 0 million) from measures connected to the takeover of Bremer Landesbank, most of which are related to staff costs.
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 to the balance sheet

(16) Loans and advances to banks

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	8 610	3 859	> 100
Foreign banks	3 051	2 934	4
	11 661	**6 793**	**72**
Other loans and advances			
German banks			
Due on demand	1 056	1 137	– 7
With a fixed term or period of notice	10 851	11 282	– 4
Foreign Banks			
Due on demand	2 186	1 949	12
With a fixed term or period of notice	554	586	– 5
	14 647	**14 954**	**– 2**
Total	**26 308**	**21 747**	**21**

(17) Loans and advances to customers

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	1 119	1 080	4
Customers abroad	805	1 050	– 23
	1 924	**2 130**	**– 10**
Other loans and advances			
Domestic customers			
Due on demand	3 140	2 036	54
With a fixed term or period of notice	66 756	68 861	– 3
Customers abroad			
Due on demand	1 009	906	11
With a fixed term or period of notice	30 833	31 707	– 3
	101 738	**103 510**	**– 2**
Total	**103 662**	**105 640**	**– 2**

(18) Risk provisioning

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Specific valuation allowance	3 579	3 577	–
Lumpsum specific loan loss provisions	6	7	– 14
General loan loss provisions	226	213	6
Total	**3 811**	**3 797**	**–**

The risk provisioning reported under assets and provisions in lending business changed as follows:

	Specific valuation allowances		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1 January	**3 577**	**2 482**	**7**	**7**	**213**	**430**	**47**	**55**	**3 844**	**2 974**
Allocations	651	524	1	1	35	109	26	4	713	638
Reversals	568	131	2	1	22	61	11	7	603	200
Utilisation	214	113	–	–	–	1	–	–	214	114
Unwinding	– 27	– 17	–	–	–	–	–	–	– 27	– 17
Effects of changes of foreign exchange rates and other changes	160	– 66	–	–	–	–	–	1	160	– 65
31 March	**3 579**	**2 679**	**6**	**7**	**226**	**477**	**62**	**53**	**3 873**	**3 216**

(19) Financial assets at fair value through profit or loss

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	2 529	2 357	7
Shares and other non fixed-interest securities	1	1	–
Positive fair values from derivatives	5 143	5 559	– 7
Trading portfolio claims	2 237	3 143	– 29
	9 910	**11 060**	**– 10**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	199	203	– 2
Debt securities and other fixed-interest securities	1 338	1 263	6
	1 537	**1 466**	**5**
Total	**11 447**	**12 526**	**– 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 and silent participations and participatory capital with loss sharing are allocated to the AfS category.

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Financial assets classified as LaR	2 591	2 755	– 6
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	27 250	28 211	– 3
Shares and other non fixed-interest securities	155	182	– 15
Shares in companies (not consolidated)	311	313	– 1
Other financial assets classified as AfS	69	113	– 39
	27 785	**28 819**	**– 4**
Total	**30 376**	**31 574**	**– 4**

(21) Property and equipment

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Land and buildings	331	334	– 1
Operating and office equipment	55	56	– 2
Ships	19	29	– 34
Other property and equipment	2	1	100
Total	**407**	**420**	**– 3**

(22) Intangible assets

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Software			
Purchased	61	61	–
Internally developed	43	45	– 4
	104	**106**	**– 2**
Intangible assets under developement	18	16	13
Leasing Property from Finance Lease	4	4	–
Other intangible assets	30	28	7
Total	**156**	**154**	**1**

Intangible assets under development refer primarily to purchased software.

(23) Assets held for sale

Assets held for sale in accordance with IFRS 5 break down as follows:

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances to banks and customers	904	1 001	– 10
Risk provisioning	629	711	– 12
Financial assets	88	10	> 100
Investments accounted for using the equity method	–	6	– 100
Property and equipment	80	108	– 26
Other assets	2	7	– 71
Total	**445**	**421**	**6**

In the 2016 reporting year the NORD/LB Group decided to scale back its portfolio of ship mortgage loans. The non-performing portfolio of loans and advances that forms part of loans and advances to customers totalled € 898 million (€ 1 001 million). Loans and advances for sale are still measured in accordance with IAS 39. Expected transaction prices are used to assess risk provisioning. Risk provisioning amounted to € 629 million (€ 711 million). The aim is to sell the loans and advances belonging to the Ship Customers segment during financial year 2017.

Financial assets held for sale amounting to € 88 million (€ 10 million) refer to shares in an investment from the Group Controlling/Others segment. They were classified as held for sale in early September 2016 for the first time. The sale is planned for the first half of 2017.

Financial instruments from the Markets segment were recognised as held for sale under financial assets for the first time in Q1 2017; they were sold in April 2017.

Other shares in a company recognised under financial assets held for sale were sold on 1 January 2017. They belonged to the Group Controlling/Others segment. There was no profit/loss on the disposals.

Furthermore, shares in a company recognised so far using the equity method were derecognised from the Group Controlling/Others segment upon the sale of the shares in early 2017. This disposal had no impact on profit/loss in the Group.

Three ships recognised under Property and equipment held for sale were sold in January and March 2017 from the Ship Customers segment. This generated an other operating profit of € 5 million.

Assets held for sale also contain eleven fully-consolidated subsidiaries and special-purpose entities, all of which represent an individual disposal group. The companies are one-ship companies from the Group Controlling/Others segment, whose main assets are the ships recognised under property and equipment amounting to € 80 million (€ 91 million) in total. Impairment of € 12 million (0 million) was recognised on these under other operating profit/loss in accordance with IFRS 5.20 in the first quarter of 2017. Disposals of subsidiaries and special-purpose entities are expected during the current financial year.

Assets held for sale from a subsidiary previously consolidated in full were derecognised in January 2017 because the company was sold. This generated a moderate loss recognised under other operating profit/loss. This subsidiary formerly consolidated in full is an investment from the Private Customers segment.

(24) Liabilities to banks

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Deposits from other banks			
German banks	4 060	2 798	45
Foreign banks	162	1 546	– 90
	4 222	**4 344**	**– 3**
Liabilities resulting from money market transactions			
German banks	8 543	9 558	– 11
Foreign banks	10 477	10 248	2
	19 020	**19 806**	**– 4**
Other liabilities			
German banks			
Due on demand	1 801	387	> 100
With a fixed term or period of notice	22 584	23 714	– 5
Foreign banks			
Due on demand	1 010	518	95
With a fixed term or period of notice	548	472	16
	25 943	**25 091**	**3**
Total	**49 185**	**49 241**	**–**

(25) Liabilities to customers

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 199	1 204	–
Customers abroad	12	12	–
With an agreed notice period of more than three months			
Domestic customers	19	25	– 24
Customers abroad	1	1	–
	1 231	**1 242**	**– 1**
Liabilities resulting from money market transactions			
Domestic customers	13 465	12 672	6
Customers abroad	1 781	2 924	– 39
	15 246	**15 596**	**– 2**
Other liabilities			
Domestic costumers			
Due on demand	15 093	13 196	14
With a fixed term or period of notice	22 241	24 295	– 8
Customers abroad			
Due on demand	1 287	1 101	17
With a fixed term or period of notice	1 783	1 871	– 5
	40 404	**40 463**	**–**
Total	**56 881**	**57 301**	**– 1**

(26) Securitised liabilities

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Issued debt securities			
Covered bonds	11 342	10 806	5
Municipal debentures	9 601	9 073	6
Other debt securities	15 634	15 071	4
	36 577	**34 950**	**5**
Money market instruments			
Commercial paper	691	579	19
Certificates of deposit	264	286	– 8
	955	**865**	**10**
Total	**37 532**	**35 815**	**5**

Repurchased debt securities issued by the Bank itself in the amount of € 5 641 million (€ 5 797 million) have been deducted directly from securitised liabilities.

The notional volume of issues in the NORD/LB Group totalled € 4 250 million (€ 4 499 million) in the first three months of financial year 2017. Repurchases totalled € 1 829 million (€ 1 864 million), while repayments amounted to € 1 385 million (€ 2 162 million). 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, financial liabilities at fair value through profit or loss (see Note (27)) and subordinated capital (see Note (30)).

(27) Financial liabilities at fair value through profit or loss

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	4 786	5 705	– 16
Delivery obligations from short-sales	196	96	> 100
	4 982	**5 801**	**– 14**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 421	6 381	1
Securitised liabilities	2 928	2 874	2
	9 349	**9 255**	**1**
Total	**14 331**	**15 056**	**– 5**

(28) Provisions

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Provisions for pensions and other obligations	2 381	2 433	– 2
Other provisions	391	320	22
Total	**2 772**	**2 753**	**1**

Other provisions include a provision for the contribution to the European bank levy in the amount of € 54 million (€ 0 million). This item also includes provisions for reorganisation measures in the amount of € 90 million (€ 106 million).

(29) Liabilities held for sale

This item comprises liabilities of companies held for sale amounting to € 9 million (€ 19 million).

(30) Subordinated capital

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Subordinated liabilities	3 394	3 385	–
Participatory capital	65	64	2
Silent participations	538	535	1
Total	**3 997**	**3 984**	**–**

(31) Equity

NORD/LB legally held a 54.83 per cent share in its subsidiary, Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, Bremen (Bremer Landesbank) as at 31 December 2016. A share of 45.17 per cent is held by non-controlling shareholders. On 7 November 2016, NORD/LB concluded a contract with the non-controlling shareholders on the purchase of the remaining shares in the company. The contract is classified as a forward purchase agreement. Therefore, NORD/LB already anticipated the acquisition of the non-controlling shares in the annual report as at the reporting date of 31 December 2016: A financial liability was recognised for the obligation to purchase its own equity instruments. The shares of the non-controlling shareholders were derecognised from equity. The difference between the equity capital attributable to non-controlling interests and the purchase price was transferred to retained earnings. As at 31 March 2017, NORD/LB held all the shares in Bremer Landesbank.

Other disclosures

(32) 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 states 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 the 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, designated assets held for sale at fair value, and other assets and liabilities.

Level 2

If no price quotes on an active market are available, the fair value is calculated using recognised measurement methods or models or through external pricing services, provided that the measurement in such cases makes either full or significant use of 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 yield 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 can no longer be used, fair value is determined for measurement purposes using discounted-cash-flows. With the discounted cash-flow method, all payments are discounted 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). 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 assess financial instruments on inactive markets. This approach ensures that inactivity is assessed 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 and designated assets held for sale at fair value.

Level 3

Financial instruments for which there is no active market, which cannot be measured on the basis of market prices and cannot be fully measured on the basis of observable market parameters, are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, Level 3 measurement generally uses both institution-specific models and market-based discounted-cash-flow models as well as significant volumes of data which are not observable on the market. The inputs used in these methods include (for example) 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 measurement is also used for equity structures. 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. Models, input data and resultant fair values are reviewed regularly.

All relevant factors are taken into account appropriately when determining 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 measurement. This particularly impacts financial instruments such as securities or liabilities with fair values based on prices listed on active markets and financial instruments such as OTC derivatives whose fair values are determined using a measurement method and for which the mid-market price is an observable input in the measurement method.

The counterparty risk (Credit Value Adjustment (CVA)/Debit Value Adjustment (DVA)) is determined on the basis of the net risk position as per IFRS 13.48. The CVA/DVA is allocated to individual balance sheet transactions using the relative credit-adjustment approach.

No listed prices are generally available for OTC market derivatives; their fair values are therefore determined using other measurement methods. The fair values are initially measured using cash-flow models, disregarding 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 collateralised OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that collateralised derivatives are no longer discounted using the tenor-specific interest rate, but instead with the OIS interest-rate curve. Uncollateralised derivatives continue to be discounted with the tenor-specific interest rate to establish their fair value. For uncollateralised derivatives the measurement also takes a Funding Valuation Adjustment (FVA) into account, which represents the market-implied funding costs.

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

(in € million)	31 Mar.2017 Fair Value	31 Mar.2017 Carrying amount	31 Mar.2017 Difference	31 Dec.2016 Fair Value	31 Dec.2016 Carrying amount	31 Dec.2016 Difference
Assets						
Cash reserve	2 172	2 172	–	1 447	1 447	–
Loans and advances to banks	26 796	26 308	488	22 270	21 747	523
Loans and advances to customers	103 176	103 662	– 486	104 810	105 640	– 830
Risk provisioning	–[1]	– 3 811	3 811	–[1]	– 3 797	3 797
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**129 972**	**126 159**	**3 813**	**127 080**	**123 590**	**3 490**
Balancing items for financial instruments hedged in the fair value hedge portfolio	–[2]	85	– 85	–[2]	130	– 130
Financial assets at fair value through profit or loss	11 447	11 447	–	12 526	12 526	–
Positive fair values from hedge accounting derivatives	2 017	2 017	–	2 327	2 327	–
Financial assets not reported at fair value	2 442	2 629	– 187	2 575	2 794	– 219
Financial assets reported at fair value	27 747	27 747	–	28 780	28 780	–
Financial assets held for sale not reported at fair value	269	269	–	291	291	–
Financial assets held for sale reported at fair value	176	176	–	130	130	–
Other assets not reported at fair value	31	31	–	26	26	–
Other assets reported at fair value	13	13	–	13	13	–
Total	**176 286**	**172 745**	**3 541**	**175 195**	**172 054**	**3 141**
Liabilities						
Liabilities to banks	49 509	49 185	324	49 869	49 241	628
Liabilities to customers	59 483	56 881	2 602	60 285	57 301	2 984
Securitised liabilities	37 910	37 532	378	36 325	35 815	510
Balancing items for financial instruments hedged in the fair value hedge portfolio	–[2]	897	– 897	–[2]	1 033	– 1 033
Financial liabilities at fair value through profit or loss	14 331	14 331	–	15 056	15 056	–
Negative fair values from hedge accounting derivatives	2 741	2 741	–	2 945	2 945	–
Financial liabilities held for sale not reported at fair value	9	9	–	19	19	–
Other liabilities not reported at fair value	3	3	–	3	3	–
Other liabilities reported at fair value	1	1	–	1	1	–
Subordinated capital	4 221	3 997	224	4 164	3 984	180
Total	**168 208**	**165 577**	**2 631**	**168 667**	**165 398**	**3 269**

[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 € 38 million (€ 39 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)	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016
Assets								
Assets held for trading	1 031	1 103	8 660	9 613	219	344	9 910	11 060
Debt securities and other fixed-interest securities	1 029	1 102	1 500	1 255	–	–	2 529	2 357
Shares and other non fixed-interest securities	1	1	–	–	–	–	1	1
Positive fair values from derivatives	1	–	5 142	5 559	–	–	5 143	5 559
Interest-rate risks	–	–	4 634	4 963	–	–	4 634	4 963
Currency risks	–	–	468	564	–	–	468	564
Share-price and other price risks	1	–	2	3	–	–	3	3
Credit derivatives	–	–	38	29	–	–	38	29
Trading portfolio claims	–	–	2 018	2 799	219	344	2 237	3 143
Financial assets as at fair value through profit or loss	968	854	569	612	–	–	1 537	1 466
Loans and advances to customers	–	–	199	203	–	–	199	203
Financial assets	968	854	370	409	–	–	1 338	1 263
Debt securities and other fixed-interest securities	968	854	370	409	–	–	1 338	1 263
Positive fair values from hedge accounting derivatives	–	–	2 017	2 327	–	–	2 017	2 327
Positive fair values from employed micro fair value hedge derivatives	–	–	1 373	1 576	–	–	1 373	1 576
Interest-rate risks	–	–	1 313	1 520	–	–	1 313	1 520
Currency risks	–	–	60	56	–	–	60	56
Positive fair values from employed portfolio fair value hedge derivatives	–	–	644	751	–	–	644	751
Interest-rate risks	–	–	644	751	–	–	644	751
Financial assets at fair value	9 237	9 207	18 191	19 204	319	369	27 747	28 780
Debt securities and other fixed-interest securities	9 066	9 011	18 181	19 197	3	3	27 250	28 211
Shares and other non fixed-interest securities	155	182	–	–	–	–	155	182
Shares in companies (not consolidated)	16	14	10	7	247	253	273	274
Other financial assets classified as AfS	–	–	–	–	69	113	69	113
Financial assets held for sale reported at fair value	48	–	88	121	40	9	176	130
Other financial assets reported at fair value	13	13	–	–	–	–	13	13
Total	**11 297**	**11 177**	**29 525**	**31 877**	**578**	**722**	**41 400**	**43 776**

	Level 1		Level 2		Level 3		Total	
(in € million)	31 Mar. 2017	31.12. 2016	31 Mar. 2017	31.12. 2016	31 Mar. 2017	31.12. 2016	31 Mar. 2017	31.12. 2016
Liabilities								
Trading liabilities	87	74	4 893	5 725	2	2	4 982	5 801
Negative fair values from derivatives relating to	1	2	4 783	5 701	2	2	4 786	5 705
interest-rate risks	–	1	3 479	3 861	1	1	3 480	3 863
currency risks	–	–	1 301	1 834	–	–	1 301	1 834
share-price and other price risks	1	1	1	1	–	–	2	2
credit derivatives	–	–	2	5	1	1	3	6
Delivery obligations from short-sales and other trading assets	86	72	110	24	–	–	196	96
Financial liabilities reported at fair value	500	–	8 829	9 235	20	20	9 349	9 255
Liabilities to banks	–	–	457	442	–	–	457	442
Liabilities to customers	–	–	5 964	5 939	–	–	5 964	5 939
Securitised liabilities	500	–	2 408	2 854	20	20	2 928	2 874
Negative fair values from hedge accounting derivatives	–	–	2 741	2 945	–	–	2 741	2 945
Negative fair values from employed micro fair value hedge derivatives	–	–	2 450	2 682	–	–	2 450	2 682
interest-rate risks	–	–	2 155	2 385	–	–	2 155	2 385
currency risks	–	–	295	297	–	–	295	297
Negative fair values from employed portfolio fair value hedge derivatives	–	–	291	263	–	–	291	263
interest-rate risks	–	–	291	263	–	–	291	263
Other financial liabilities reported at fair value	1	1	–	–	–	–	1	1
Total	**588**	**75**	**16 463**	**17 905**	**22**	**22**	**17 073**	**18 002**

The Level 3 financial assets 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) Designated assets held for sale).

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

1 Jan. - 31 Mar.2017 (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	42	–	45	–	–	–
Debt securities and other fixed-interest securities	42	–	45	–	–	–
Financial assets as at fair value through profit or loss	–	–	28	–	–	–
Financial assets	–	–	28	–	–	–
Debt securities and other fixed-interest securities	–	–	28	–	–	–
Financial assets at fair value	811	–	1 087	–	–	–
Debt securities and other fixed-interest securities	811	–	1 087	–	–	–
Liabilities						
Trading liabilities	47	–	1	–	–	–
Delivery obligations from short-sales and other trading assets	47	–	1	–	–	–
Financial liabilities reported at fair value	–	–	501	–	–	–
Securitised liabilities	–	–	501	–	–	–

Für An initial assessment regarding the level of financial instruments under assets takes place on an individual transaction basis in accordance with 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, transfers between levels as at the reporting date compared to the end of the previous year took place only between Level 1 and Level 2.

When measuring the Group's own structured issues 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.

Financial assets and liabilities in Level 3 of the fair value hierarchy changed as follows:

	Trading assets			
	Positive fair values from derivatives Currency risks		Trading portfolio claims and other trading assets	
(in € million)	2017	2016	2017	2016
1 Jan.	**–**	**1**	**344**	**64**
Effect on the income statement[1]	–	–	– 3	– 1
Addition from purchase or issuance	–	–	–	41
Disposal from sale	–	–	63	57
Repayment / exercise	–	–	59	–
31 Mar.	**–**	**1**	**219**	**47**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	– 2	–

[1] The effects reported include measurement 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 assets at fair value					
	Debt securities and other fixed-interest securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
(in € million)	2017	2016	2017	2016	2017	2016
1 Jan.	**3**	**4**	**253**	**232**	**113**	**137**
Effect on the income statement[1]	–	–	–	–	8	– 4
Effect on the equity capital	–	–	– 6	– 1	– 1	– 1
Disposal from sale	–	–	–	–	14	6
Repayment / exercise	–	–	–	–	37	2
31 Mar.	**3**	**4**	**247**	**231**	**69**	**124**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	–	–	8	–

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

	Financial assets held for sale reported at fair value	
(in € million)	2017	2016
1 Jan.	**9**	**–**
Reclassification	31	16
31 Mar.	**40**	**16**

	Trading liabilities					
	Trading liabilities Interest-rate risk		Trading liabilities Currency risks		Trading liabilities Credit derivatives	
(in € million)	2017	2016	2017	2016	2017	2016
1 Jan.	**1**	**–**	**–**	**1**	**1**	**–**
Effect on the income statement[1]	–	–	–	–	1	–
Addition from purchase or issuance	1	–	–	–	–	–
Disposal from sale	1	–	–	–	1	–
31 Mar.	**1**	**–**	**–**	**1**	**1**	**–**
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 measurement 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)	2017	2016
1 Jan.	**20**	**4**
31 Mar.	**20**	**4**

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

Product	Fair Value 31 Mar.2017 (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 (liabilities)	– 20	historical volatilities	7-200 %	26%
Participations	247	Discount rate	5-10%	8%
Silent participations	69	Discount rate	12%	12%
Loans	219	Rating	Rating Class (25er DSGV-Skala) 3-13	Averaged Rating 10
Derivatives (liabilities)	– 2	Rating	Rating Class (25er DSGV-Skala) 6-14	Averaged Rating 12
Financial assets held for sale reported at fair value	40	Fair Value	-	-

A significant input that cannot be observed in the market and 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 (€ 0.3 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 € 14.4 million (€ 14.3 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 € 2.6 million (€ 2.5 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 and 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 € 0.7 million (€ 2.1 million) in the fair value of the loans in Level 3, with a corresponding effect on the income statement.

There are currently derivatives that have been measured as part of syndicated loans and allocated to Level 3. These are interest or credit derivatives.

A significant input that cannot be observed in the market used in the fair value measurement of these derivatives is the rating. 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 € 0.2 million (€ 0.2 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.

(33) 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)	31 Mar.2017	31 Dec.2016	31 Mar.2017	31 Dec.2016	31 Mar.2017	31 Dec.2016
Interest-rate risk	296 618	295 181	11 689	12 203	11 089	11 527
Currency risk	55 453	58 170	835	620	1 902	2 128
Share price and other price risks	195	213	3	3	2	2
Credit risk	2 877	2 758	38	29	3	6
Total	**355 143**	**356 322**	**12 565**	**12 855**	**12 996**	**13 663**

(34) 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.

(in € million)	Financial Instruments Held for Trading 31 Mar. 2017	Financial Instruments Held for Trading 31 Dec. 2016	Financial Instruments designated at Fair Value through Profit or Loss 31 Mar. 2017	Financial Instruments designated at Fair Value through Profit or Loss 31 Dec. 2016	Available for Sale Assets 31 Mar. 2017	Available for Sale Assets 31 Dec. 2016
Ireland						
Country	–	–	–	–	23	23
Financing institutes / insurance companies	– 9	– 13	–	–	25	33
Companies / other	58	45	–	–	1	1
	49	**32**	**–**	**–**	**49**	**57**
Italy						
Country	4	4	82	86	890	920
Financing institutes / insurance companies	19	– 2	–	–	71	86
Companies / other	5	6	–	–	71	84
	28	**8**	**82**	**86**	**1 032**	**1 090**
Portugal						
Country	– 1	– 1	–	–	89	149
Financing institutes / insurance companies	– 1	– 1	–	–	1	1
Companies / other	–	–	–	–	11	13
	– 2	**– 2**	**–**	**–**	**101**	**163**

(in € million)	Financial Instruments Held for Trading 31 Mar. 2017	Financial Instruments Held for Trading 31 Dec. 2016	Financial Instruments designated at Fair Value through Profit or Loss 31 Mar. 2017	Financial Instruments designated at Fair Value through Profit or Loss 31 Dec. 2016	Available for Sale Assets 31 Mar. 2017	Available for Sale Assets 31 Dec. 2016
Slowenia						
Country	–	–	–	–	2	2
	–	**–**	**–**	**–**	**2**	**2**
Spain						
Country	32	34	–	–	201	198
Financing institutes / insurance companies	1	23	–	–	783	910
Companies / other	8	8	–	–	35	41
	41	**65**	**–**	**–**	**1 019**	**1 149**
Hungary						
Country	–	–	–	–	113	112
	–	**–**	**–**	**–**	**113**	**112**
Cyprus						
Companies / other	8	8	–	–	–	–
	8	**8**	**–**	**–**	**–**	**–**
Total	**124**	**111**	**82**	**86**	**2 316**	**2 573**

For financial instruments categorised as available for sale with a cost totalling € 2 108 million (€ 2 330 million), the cumulative valuation result reported in equity for the selected countries totals € 249 million (€ 102 million).

	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair Value	
(in € million)	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016
Egypt								
Companies / other	57	44	–	–	–	–	58	45
	57	**44**	**–**	**–**	**–**	**–**	**58**	**45**
Greece								
Companies / other	10	6	–	–	–	–	6	6
	10	**6**	**–**	**–**	**–**	**–**	**6**	**6**
Ireland								
Financing institutes / insurance companies	126	126	–	–	–	–	127	127
Companies / other	2 428	2 499	–	–	2	2	2 446	2 524
	2 554	**2 625**	**–**	**–**	**2**	**2**	**2 573**	**2 651**
Italy								
Financing institutes / insurance companies	79	78	–	–	1	–	64	63
Companies / other	291	290	–	–	–	–	295	291
	370	**368**	**–**	**–**	**1**	**–**	**359**	**354**
Portugal								
Companies / other	20	21	–	–	–	–	20	21
	20	**21**	**–**	**–**	**–**	**–**	**20**	**21**
Russia								
Financing institutes / insurance companies	125	131	–	–	–	–	125	131
Companies / other	64	66	–	–	–	–	62	63
	189	**197**	**–**	**–**	**–**	**–**	**187**	**194**
(in € million)	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016	31 Mar. 2017	31 Dec. 2016
Spain								
Country	52	51	–	–	–	–	54	53
Financing institutes / insurance companies	73	69	–	–	–	–	73	69
Companies / other	165	168	30	30	–	–	161	166
	290	**288**	**30**	**30**	**–**	**–**	**288**	**288**
Hungary								
Financing institutes / insurance companies	6	5	–	–	–	–	4	5
Companies / other	30	27	–	–	–	–	32	27
	36	**32**	**–**	**–**	**–**	**–**	**36**	**32**
Cyprus								
Companies / other	1 043	1 053	30	31	23	20	781	844
	1 043	**1 053**	**30**	**31**	**23**	**20**	**781**	**844**
Total	**4 569**	**4 634**	**60**	**61**	**26**	**22**	**4 308**	**4 435**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 516 million (€ 812 million). Of this amount, sovereigns account for € 353 million (€ 378 million), financing institutions/insurance companies for € 45 million (€ 341 million) and companies/others for € 118 million (€ 94 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € 0 million (€ -1 million).

Other notes

(35) 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)	31 Mar.2017	31 Dec.2016
Total risk exposure amount	**57 789**	**59 896**
Capital requirements for credit risk	3 931	4 145
Capital requirements for operational risks	442	409
Capital requirements for market risks	183	166
Capital requirements for clearing risks	–	–
Capital requirements for loan amount adjustments	67	72
Capital requirements	**4 623**	**4 792**

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

(in € million)	31 Mar.2017	31 Dec.2016
Paid-up capital including premium	4 930	4 930
Reserves	1 685	1 439
Eligible components of CET 1 capital at subsidiaries	–	207
Other components of CET 1 capital	– 164	– 68
– Deductible items (from CET 1 capital)	– 552	– 580
Adjustments due to transition rules	147	825
Common Equity Tier 1 capital	**6 046**	**6 752**
Grandfathered AT1 instruments	443	451
Eligible components of AT 1 capital at subsidiaries	–	24
Adjustments due to transition rules	– 53	– 105
Additional Tier 1 capital	390	369
Tier 1 capital	**6 435**	**7 122**
Paid-up instruments of Tier 2 capital	2 525	2 568
Eligible components of Tier 2 capital at subsidiaries	–	282
Other components of Tier 2 capital	255	267
– Deductible items (from Tier 2 capital)	– 10	– 10
Adjustments due to transition rules	– 429	– 452
Tier 2 capital	**2 341**	**2 656**
Own funds	**8 777**	**9 777**

(in %)	31 Mar.2017	31 Dec.2016
Common equity tier 1 capital ratio	10,46%	11,27%
Tier 1 capital ratio	11,14%	11,89%
Total capital ratio	15,19%	16,32%

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

(36) Contingent liabilities and other obligations

	31 Mar.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	4 159	4 114	1
Other obligations			
Irrevocable credit commitments	9 400	10 418	– 10
Total	**13 559**	**14 532**	**– 7**

(37) Other financial obligations

In the reporting period, Bremer Landesbank increased one of its synthetic securitisation transactions by € 1 958 million. As at 31 March 2017 the volume of the transaction was € 4 896 million. It is based on a credit portfolio comprising the asset classes of renewable energies, corporate customers, community properties, commercial properties and leasing. As part of this increase, the first-loss tranche already placed was increased by € 46 million to € 140 million. This means the expense from the guarantee contract for the current financial year is € 17 million. Fee payments of € 18 million are expected for the following year.

(38) Related Parties

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

31 Mar.2017 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**241**	**–**	**60**
of which: money market transcations	–	–	–	81	–	–
of which: loans	–	–	–	155	–	60
other loans	–	–	–	155	–	60
Loans and advances to customers	**2 166**	**6**	**–**	**322**	**1**	**429**
of which: money market transcations	–	–	–	12	–	–
of which: loans	2 156	6	–	310	1	429
public-sector loans	2 037	–	–	13	–	410
mortage-backed loans	–	2	–	91	1	4
other loans	119	4	–	206	–	15
Financial assets at fair value through profit or loss	**388**	**–**	**–**	**49**	**–**	**6**
of which: Debt securities and other fixed-interest securities	104	–	–	–	–	–
of which: Positive fair values from derivatives	90	–	–	49	–	3
of which: Trading portfolio claims	194	–	–	–	–	3
Positive fair values from hedge accounting derivatives	**95**	**–**	**–**	**–**	**–**	**–**
Financial assets	**1 288**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 288	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Other assets	**2**	**–**	**–**	**–**	**–**	**–**
Total	**3 939**	**6**	**–**	**629**	**1**	**495**

31 Mar.2017 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**344**	**–**	**143**
davon: Einlagen von anderen Banken	–	–	–	–	–	30
Liabilities to customers	**950**	**45**	**–**	**251**	**3**	**599**
of which: money market transcations	–	–	–	–	1	–
of which: saving deposits	505	1	–	23	–	103
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**59**	**–**	**–**	**6**	**–**	**220**
of which: negative fair values from derivatives	30	–	–	6	–	1
Negative fair values from hedge accounting derivatives	**15**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**131**	**–**	**–**	**–**	**15**
Total	**1 025**	**176**	**–**	**601**	**3**	**978**
Guarantees / sureties received	252	–	–	–	–	–
Guarantees / sureties granted	–	–	1	38	–	1

1 Jan. - 31 Mar.2017 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	10	2	–	5	–	4
Interest income	31	–	–	4	–	5
Other income and expenses	3	–	–	3	– 2	18
Total contributions to income	**24**	**– 2**	**–**	**2**	**– 2**	**19**

31 Mar.2016 (in € million)	Companies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positi-ons	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**249**	**–**	**59**
of which: money market transcations	–	–	–	87	–	–
of which: loans	–	–	–	155	–	59
other loans	–	–	–	155	–	59
Loans and advances to customers	**2 387**	**7**	**–**	**327**	**1**	**487**
of which: money market transcations	–	–	–	12	–	–
of which: loans	2 376	7	–	315	1	487
public-sector loans	2 258	–	–	14	–	468
mortage-backed loans	–	2	–	93	1	4
other loans	118	5	–	208	–	15
Financial assets at fair value through profit or loss	**290**	**–**	**–**	**49**	**–**	**40**
of which: Debt securities and other fixed-interest securities	103	–	–	–	–	–
of which: Positive fair values from derivatives	64	–	–	49	–	1
of which: Trading portfolio claims	123	–	–	–	–	39
Positive fair values from hedge accounting derivatives	**134**	**–**	**–**	**–**	**–**	**–**
Financial assets	**1 323**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 323	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**4 134**	**7**	**–**	**642**	**1**	**586**

31 Dec.2016 (in € million)	Companies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positi-ons	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**343**	**–**	**119**
davon: Einlagen von anderen Banken	–	–	–	–	–	30
Liabilities to customers	**984**	**46**	**1**	**305**	**4**	**757**
of which: money market transcations	–	–	–	–	1	–
of which: saving deposits	612	1	–	36	–	109
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**84**	**–**	**–**	**8**	**–**	**285**
of which: negative fair values from derivatives	59	–	–	8	–	–
Subordinated capital	**1**	**129**	**–**	**–**	**–**	**15**
Total	**1 069**	**175**	**1**	**656**	**4**	**1 177**
Guarantees / sureties received	308	–	–	–	–	–
Guarantees / sureties granted	–	–	–	35	–	3

1 Jan. - 31 Mar.2017 (in € million)	Companies with significant influence	Subsi-daries	Joint Ventures	Associated companies	Persons in key positi-ons	Other related parties
Interest expenses	9	5	–	7	–	3
Interest income	33	–	–	6	–	8
Other income and expenses	– 15	–	–	– 6	– 1	2
Total contributions to income	**9**	**– 5**	**–**	**– 7**	**– 1**	**7**

As at the reporting date there are impairments for loans and advances to associates amounting to € 2 million (€ 2 million €).

(39) Basis of consolidation

Company name and registered office	Shares (%) indirect	Shares (%) direct
Subsidiaries included in the consolidated financial statements		
BGG Bremen GmbH & Co. KG, Bremen	100.00	–
BGG Marktcarré GmbH & Co. KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	100.00	–
BLB Leasing GmbH, Oldenburg	100.00	–
Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale -, Bremen	–	100.00
Bremische Grundstücks-GmbH, Bremen	100.00	–
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover	–	100.00
KreditServices Nord GmbH, Braunschweig	–	100.00
Nieba GmbH, 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
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	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Investment funds included in the consolidated financial statements		
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
Öffentliche Lebensversicherung Braunschweig, Braunschweig [1)]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [1)]	–	75.00
Toto-Lotto Niedersachsen GmbH, Hannover	49.85	–
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
After IFRS 5 valuated companies		
Subsidiaries		
Beteiligungs- Kommanditgesellschaft MS "Buxmelody" Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
Ganymede Beteiligungsgesellschaft mbH & Co.KG, Hamburg	–	–
MS "HEDDA SCHULTE" Shipping GmbH & Co. KG, Hamburg	–	–
MT "BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SCORPIUS" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
Nordic Stralsund Ltd., Majuro (Marshallinseln)	–	–
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PANDORA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
Rhea Tankschifffahrtsgesellschaft mbH & Co.KG, Hamburg	–	–
Titan Tankschifffahrtsgesellschaft mbH & Co.KG, Hamburg	–	–
Associated companies		
NORD/LB AM ARB EUROPE	100.00	–

[1)] This company is classified as an associate due to its structure under company law.

(40) Events after the reporting date

Following the effects of the shipping crisis, as at 1 January 2017 NORD/LB acquired 100 per cent of the shares in Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale - (Bremer Landesbank), Bremen. In the future, Bremer Landesbank is to merge fully with NORD/LB from an organisational and legal perspective, but keep its own brand. The merger is still pending approval by the competent committees at both banks. The full integration of Bremer Landesbank into NORD/LB is the first step in the new Group-wide transformation programme "One Bank“.

To free up regulatory capital, the NORD/LB Group entered into a guarantee agreement as at 5 April 2017 with a third party; this transfers the default risk of the first-loss tranche (amounting to an initial € 103 million) of a portfolio of lending receivables totalling € 11 billion to the third party. For the mezzanine tranche of the portfolio, an external guarantee already hedges the default risk.

Moody's rating agency downgraded NORD/LB's unguaranteed long-term rating on 18 April 2017 from Baa1 to Baa2 and its deposit rating from A3 to Baa1. At the same time, the ratings were placed on "review for further downgrade". According to Moody´s, this takes account of the fact that the business figures for 2016 are worse than expected. Equally affected by the Moody's rating downgrade are NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg, and Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover. After the rating downgrade, the business activities of the NORD/LB Group continued as normal on the money, FX and capital markets. The current funding activities correspond to the funding plan for 2017, also based on a continuous comparison with actual new business developments. It has therefore not been necessary to adjust the funding plan so far, but this is regularly reviewed.

Other information

Members of governing bodies

1. Members of the managing board

Thomas S. Bürkle
(Chairman, since 1 January 2017)

Dr. Hinrich Holm
(First Deputy Chairman, since 1 January 2017)

Ulrike Brouzi

Christoph Dieng

Christoph Schulz

Günter Tallner
(since 3 February 2017)

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

André Schröder (Second Deputy Chairman)
Finance minister of Saxony-Anhalt

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

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

Frank Hildebrandt
Bank employee,
NORD/LB Braunschweig

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

Ulrich Markurth
Mayor of Braunschweig

Ludwig Momann
Chairman of the Managing Board,
Sparkasse Emsland

Felix von Nathusius
Chairman of the Managing Board,
Entrepreneur

Antje Niewisch- Lennartz
Justice Minister of Lower Saxony

Frank Oppermann
Bank employee,
NORD/LB Hannover

Freddy Pedersen
Trade union secretary
ver.di Trade Union

Jörg Reinbrecht
Trade union secretary
ver.di Trade Union

Stefanie Rieke
Bank employee,
NORD/LB Magdeburg

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 today. 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 to those expected:

Finance calendar 2017

30. August 2017	Publication of the figures as at 30 June 2017
29. November 2017	Publication of the figures as at 30 September 2017

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	München	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, Singapur, Shanghai

Significant investments
Bremer Landesbank Kreditanstalt Oldenburg – Girozentral, Bremen und Oldenburg
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover
NORD/LB Asset Management Holding AG, Hannover
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel

Die norddeutsche Art.

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