

**Norddeutsche Landesbank Girozentrale**  
(Public-law institution)

**Annual Report 2018**



<b>Combined management report</b>	<b>5</b>
See combined management report	6
<b>Annual Financial Statements</b>	<b>7</b>
Balance sheet	8
Income statement	12
<b>Appendix</b>	<b>15</b>
I. Disclosures concerning the accounting policies and principles of currency translation	16
II. Disclosures and Notes to the Balance Sheet and Income Statement	29
III. Other disclosures	42
<b>Reports</b>	<b>69</b>
Responsibility statement	70
Independent Auditor's Opinion	71
Report of the Supervisory Board	80
Report of the Owners' Meeting	81



# Combined management report

6

See combined management report

## See combined management report

The management report for NORD/LB Norddeutsche Landesbank Girozentrale (abbreviated in this document as NORD/LB) and the Group management report have been combined pursuant to § 315 para. 5 of the German Commercial Code (HGB) in conjunction with § 298 para. 2 HGB and published in the Annual Report 2018 of NORD/LB.

The annual financial statements of NORD/LB and the consolidated financial statements (with the combined management report) for financial year 2018 are filed with the operator of the German Federal Gazette and published in the German Federal Gazette. The annual financial statements for NORD/LB and the consolidated financial statements are also available for download on the internet at [www.nordlb.com](http://www.nordlb.com).

# Annual Financial Statements

8	Balance sheet
12	Income statement

Assets	Norddeutsche Landesbank Girozentrale			
	€	€	€	2017 (in € 000)
<b>1. Cash reserve</b>				
a) Cash on hand		54 805 512.02		54 442
b) Balances with central banks		992 698 616.25		1 205 908
			<b>1 047 504 128.27</b>	<b>1 260 350</b>
of which: with the "Deutsche Bundesbank" € 140 458 378.48				(80 249)
<b>2. Treasury bills and other bills eligible for refinancing with central banks</b>				
a) Treasury bills, discounted treasury notes and similar debt instruments issued by public institutions		–		0
of which: eligible for refinancing at the Deutsche Bundesbank € 0.00				(0)
			–	0
<b>3. Claims on banks</b>				
a) mortgage loans		32 003 054.21		35 496
b) municipal loans		19 456 788 048.17		19 694 724
c) Other claims		8 437 686 732.38		10 954 412
			<b>27 926 477 834.76</b>	<b>30 684 631</b>
of which: Due on demand € 2 703 251 984.07				(2 922 704)
against securities lending € 0.00				(0)
<b>4. Claims on customers</b>				
a) mortgage loans		6 186 486 906.03		6 407 893
b) municipal loans		17 595 378 883.51		17 671 054
c) Other claims		38 083 011 836.10		41 806 724
			<b>61 864 877 625.64</b>	<b>65 885 671</b>
of which: against securities lending € 0.00				(0)
<b>5. Debt securities and other fixed-interest securities</b>				0
a) Money-market instruments				
aa) Issued by public sector borrowers		10 210 028.77		47 454
of which: eligible as collateral for "Deutsche Bundesbank" advances € 0.00				(25 045)
ab) Issued by other borrowers		374 492 413.09		823 712
		384 702 441.86		871 166
of which: eligible as collateral for "Deutsche Bundesbank" advances € 0.00				(0)
b) Bonds and debt securities				
ba) Issued by public sector borrowers		6 363 022 568.01		7 138 333
of which: eligible as collateral for "Deutsche Bundesbank" advances € 5 987 970 118.43				(6 873 633)
bb) Issued by other borrowers		12 147 486 704.84		12 206 248
		18 510 509 272.85		19 344 581
of which: eligible as collateral for "Deutsche Bundesbank" advances € 10 976 511 999.96				(11 111 746)
c) Debt securities, issued by the institution itself		213 906 904.64		121 973
Nominal amount € 213 934 825.33				(117 978)
			<b>19 109 118 619.35</b>	<b>20 337 721</b>
<b>Amount carried forward</b>			<b>109 947 978 208.02</b>	<b>118 168 373</b>



## Balance sheet as at 31 December 2018

			<b>Assets</b>	
			2018	2017
			€	(in € 000)
<b>Amount carried forward</b>			<b>109 947 978 208.02</b>	<b>118 168 373</b>
<b>6. Shares and other non fixed-interest securities</b>			<b>1 288 540 395.79</b>	<b>1 270 557</b>
<b>6a. Trading portfolio</b>			<b>10 532 831 869.12</b>	<b>10 554 884</b>
<b>7. Participating interests</b>			<b>173 729 769.55</b>	<b>174 617</b>
of which:				
in banks			€ 61 125 397.97	(61 125)
in financial institutions			€ 218 430.00	( 218)
<b>8. Investments in affiliated companies</b>			<b>1 390 922 781.66</b>	<b>1 404 623</b>
of which:				
in banks			€ 1 086 900 616.49	(1 086 901)
in financial institutions			€ 511 291.88	( 511)
<b>9. Assets held in trust</b>			<b>3 200 818 964.23</b>	<b>3 503 281</b>
of which:				
loans on a trust basis			€ 3 190 502 920.59	(3 492 965)
<b>11. Intangible assets</b>				
a) internally generated industrial property rights and similar rights and values			40 430 512.08	40 636
b) Concessions, industrial property rights and similar rights and values including its licences against payment			62 700 196.10	65 248
c) Advance payments made			690 007.83	2 077
d) Finance lease			2 275 521.54	3 368
			<b>106 096 237.55</b>	<b>111 329</b>
<b>12. Tangible assets</b>			<b>308 462 111.05</b>	<b>318 199</b>
<b>14. Other assets</b>			<b>2 753 373 800.08</b>	<b>1 539 364</b>
<b>15. Prepaid expenses</b>				
a) from new issue and lending business			662 456 104.79	721 484
b) other			641 653 444.92	631 509
			<b>1 304 109 549.71</b>	<b>1 352 992</b>
<b>Total assets</b>			<b>131 006 863 686.76</b>	<b>138 398 218</b>

Liabilities	Norddeutsche Landesbank Girozentrale			
				2017 (in € 000)
	€	€	€	
<b>1. Liabilities to banks</b>				
a) issued registered mortgage Pfand-briefs		30 214 218.21		34 816
b) issued registered public sector Pfand-briefs		523 323 120.81		550 638
c) Other liabilities		40 703 261 988.59		41 198 634
			<b>41 256 799 327.61</b>	<b>41 784 088</b>
of which:				
Due on demand	€ 5 598 942 625.69			(4 326 507)
ensuring loans taken up registered mortgage Pfandbriefs transferred to lender	€ 0.00			(0)
and registered public sector Pfandbriefs	€ 34 818 609.24			(47 441)
<b>2. Liabilities to customers</b>				
a) issued registered mortgage Pfand-briefs		1 414 738 478.55		1 602 818
b) issued registered public sector Pfand-briefs		8 874 039 062.34		9 048 073
c) Savings deposits				
ca) with an agreed notice period more than three months	1 132 116 395.95			1 169 786
cb) with an agreed notice period more than three months	16 078 108.00			16 289
		1 148 194 503.95		1 186 075
d) Other liabilities		38 332 597 127.91		37 860 027
			<b>49 769 569 172.75</b>	<b>49 696 993</b>
of which:				
Due on demand	€ 19 376 233 023.98			(18 786 996)
ensuring loans taken up				
registered mortgage Pfandbriefs transferred to lender	€ 0.00			(0)
and registered public sector Pfandbriefs	€ 0.00			(0)
<b>3. Securitised liabilities</b>				
a) Issued debt securities				
aa) mortgage Pfandbriefs	2 999 411 880.20			1 630 850
ab) public sector Pfandbriefs	6 912 178 115.34			8 685 185
ac) other debentures	10 787 979 297.25			15 191 554
		20 699 569 292.79		25 507 590
b) Other securitised liabilities		87 471 533.23		39 987
			<b>20 787 040 826.02</b>	<b>25 547 576</b>
of which:				
money-market instruments	€ 87 441 533.23			(37 582)
<b>3a. Trading portfolio</b>			<b>5 991 083 543.32</b>	<b>5 458 540</b>
<b>4. Liabilities held in trust</b>			<b>3 200 818 964.23</b>	<b>3 503 281</b>
of which:				
loans on a trust basis	€ 3 190 502 920.59			(3 492 965)
<b>5. Other liabilities</b>			<b>1 572 941 919.00</b>	<b>1 439 724</b>
<b>Amount carried forward</b>			<b>122 578 253 752.93</b>	<b>127 430 202</b>

## Balance sheet as at 31 December 2018

Balance sheet as at 31 December 2018			Liabilities	
	€	€	€	2017 (in € 000)
<b>Amount carried forward</b>			<b>122 578 253 752.93</b>	127 430 202
<b>6. Deferred income</b>				
a) from new issue and lending business		565 473 820.30		581 909
b) other		256 443 993.79		281 940
			<b>821 917 814.09</b>	863 849
<b>7. Provisions</b>				
a) Provisions for pensions and similar obligations		578 694 681.00		530 396
b) Tax provisions		63 166 856.22		85 677
c) Other provisions		664 458 669.95		557 013
			<b>1 306 320 207.17</b>	1 173 086
<b>9. Subordinated liabilities</b>			<b>2 808 505 039.21</b>	2 804 537
<b>10. Participatory capital</b>			<b>0.00</b>	0
of which: there of falling due in less than two years	€	0.00		(0)
<b>10a. Instruments of additional regulatory Tier 1 capital</b>			<b>50 200 000.00</b>	50 200
<b>11. Funds for general banking risks</b>			<b>68 308 221.55</b>	68 308
of which: special item for general banking risks in accordance with § 340e, para. 4 of the German Commercial Code	€	68 308 221.55		(68 308)
<b>12. Equity</b>				
a) Subscribed capital				
aa) Share capital	1 607 257 810.00			1 607 258
ab) Other Capital contributions	261 722 942.13			460 793
		1 868 980 752.13		2 068 051
b) Capital reserves				
ba) Other reserves	3 324 313 451.76			3 324 314
		3 324 313 451.76		3 324 314
c) Retained earnings		530 556 494.01		530 557
d) Profit shown on the balance sheet after appropriation to or transfer from reserves		- 2 350 492 046.09		85 116
			<b>3 373 358 651.81</b>	6 008 037
<b>Total liabilities</b>			<b>131 006 863 686.76</b>	138 398 218
<b>1. Contingent liabilities</b>				
a) Contingent liabilities under rediscounted bills of exchange		0.00		0
b) Liabilities from guarantees and other indemnity agreements		11 388 974 080.71		9 581 791
c) Liabilities from assets pledged as collateral for third-party liabilities		0.00		0
			<b>11 388 974 080.71</b>	9 581 791
<b>2. Other obligations</b>				
a) Repurchase obligations from non-genuine partial repurchase agreements		0.00		0
b) Placement and underwriting obligations		0.00		0
c) Irrevocable credit commitments		7 156 249 897.35		7 538 032
			<b>7 156 249 897.35</b>	7 538 032

**Income statement for the period from 1 January to 31 December 2018**

	€	€	€	31 Dec.2017 (in € 000)
<b>1. Interest income from</b>				
a) Lending and money market transactions	2 315 738 439.73			2 586 011
b) Fixed-income and book entry securities	250 398 196.90			314 156
c) Current income from trading portfolio	1 741 994 695.88			1 433 037
		4 308 131 332.51		4 333 204
<b>2. Negative Interest income from lending and money market transactions</b>		49 796 283.63		55 869
<b>3. Interest expenses</b>		3 238 663 902.69		2 940 131
<b>4. Positive interest expenses from lending and money market transactions</b>		64 345 063.87		59 961
			<b>1 084 016 210.06</b>	<b>1 397 166</b>
<b>5. Current income from</b>				
a) Shares and other non fixed-interest securities		231 258.72		727
b) Participating interests		5 315 241.03		7 406
c) Shares in affiliated companies		39 304 687.19		39 725
			<b>44 851 186.94</b>	<b>47 858</b>
<b>6. Earnings from profit pooling, profit transfer or partial profit transfer agreement</b>			<b>69 592 161.42</b>	<b>66 093</b>
<b>7. Commission income</b>		283 873 194.30		260 564
<b>8. Commission expenses</b>		202 127 390.39		159 647
			<b>81 745 803.91</b>	<b>100 918</b>
<b>9. Net income/expenses deriving from trading business</b>			<b>29 735 643.35</b>	<b>120 737</b>
<b>10. Other operating income</b>			<b>66 214 870.77</b>	<b>86 044</b>
<b>11. General administrative expenses</b>				
a) Staff expenses				
aa) Wages and salaries	351 934 751.13			366 606
ab) Social security contributions and expenses for pension provision and other employee benefits	98 356 746.14			92 366
		450 291 497.27		458 972
of which: for pensions	€ 16 609 818.85			( 6 778)
b) Other administrative expenses		455 033 835.82		573 447
			<b>905 325 333.09</b>	<b>1 032 419</b>
<b>12. Depreciations and write-downs of intangible assets</b>			<b>39 882 448.22</b>	<b>45 466</b>
<b>13. Other operating expenses</b>			<b>98 366 676.41</b>	<b>143 822</b>
<b>14. Write-downs of and value adjustments to claims and certain securities and allocations to loan loss provisions</b>			<b>2 763 346 197.53</b>	<b>827 303</b>
<b>Amount carried forward</b>			<b>2 430 764 778.80</b>	<b>230 196</b>

<b>Norddeutsche Landesbank Girozentrale</b>				
2017				
(in € 000)				
	€	€	€	
<b>Amount carried forward</b>			<b>2 430 764 778.80</b>	230 196
<b>15. Write-downs of and value adjustments to claims and certain securities and allocations to loan loss provisions</b>			<b>0.00</b>	<b>0</b>
<b>16. Earnings from write-ups to claims and certain securities and allocations to loan loss provisions</b>			<b>9 170 261.96</b>	48 436
<b>17. Expenses on assumption of losses</b>			<b>12 504 145.39</b>	38 714
<b>18. Transfer to the funds for general banking risks</b>			<b>0.00</b>	<b>0</b>
of which: Allocation to special item acc.to §340e, para.4 German Commercial Code	€	0.00		(0)
<b>19. Profit on ordinary activities</b>			<b>- 2 434 098 662.23</b>	- 220 474
<b>20. Extraordinary income</b>		26 360 000.00		393 267
<b>21. Extraordinary expenses</b>		222 712 607.68		76 468
<b>22. Extraordinary result</b>			<b>- 196 352 607.68</b>	316 799
<b>23. Refund from income taxes</b>		11 633 406.42		- 9 693
<b>24. Refund from other taxes not show under item 13</b>		- 7 406 429.42		- 3 280
			<b>- 4 226 977.00</b>	- 12 973
<b>26. Income from assumption of losses</b>			<b>199 070 057.87</b>	0
<b>26. Profit transferred under a profit transfer agreement due to profit pooling</b>			<b>0.00</b>	24 182
<b>27. Annual profit / Annual loss</b>			<b>- 2 435 608 189.04</b>	85 116
<b>28. Earnings brought forward from the previous year</b>			<b>85 116 142.95</b>	0
<b>29. Lost / Profit</b>			<b>- 2 350 492 046.09</b>	<b>85 116</b>



# Appendix

16	Disclosures concerning the accounting policies and principles for currency translation
29	Disclosures and notes to the balance sheet and income statement
42	Other disclosures

## I. Disclosures concerning the accounting policies and principles of currency translation

(In the following text the previous year's figures for the reporting year 2018 are shown and those from 31. Dezember 2017 are shown in brackets.)

### **Principles for the preparation of the Annual Financial Statements**

Norddeutsche Landesbank Girozentrale Hanover, Braunschweig, Magdeburg (NORD/LB) is registered with the Hanover (HRA 26247), Braunschweig (HRA 10261) and Stendal (HRA 22150) local courts.

The annual financial statements of NORD/LB as at 31 December 2018 have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch (HGB)), the German Accounting Regulation for Credit and Financial Services (Verordnung über die Rechnungslegung der Kreditinstitute und inanzdienstleistungsinstitute (RechKredV)) and the German Covered Bond Act (Pfandbriefgesetz (PfandBG)).

The balance sheet and income statement are structured according to the RechKredV.

The balance sheet has been prepared in accordance with § 268 para. 1 HGB, taking into account the appropriation of the earnings for the year.

NORD/LB recorded a sizeable negative result after tax at both the Group level under IFRS and at individual institution level in accordance with the German Commercial Code (Deutsches Handelsgesetzbuch – HGB) for the reporting year.

The negative result after tax at the individual institution level, taking account of the profit carried forward from the prior year as at the reporting date, led to a net accumulated loss according to the German Commercial Code. This also affects the servicing and valuation of certain NORD/LB capital instruments.

As a consequence, the contractually agreed interest for contributions already made to NORD/LB by silent partners will not be applied for 2018. Furthermore, in accordance with the German Commercial Code, on the reporting date the silent participations participated in the net accumulated loss on the reporting date based on their contractual relative share in all liable equity available on the reporting date. For this reason the balance sheet value of the individual silent participations on the reporting date have been reduced by the amount of the respective share of the loss. Conversely, the resulting amounts arising from the elimination of interest and write-downs were recognised in profit and loss.

The Group-wide One Bank transformation programme launched by NORD/LB in fiscal year 2017 continued according to plan in 2018. In addition to the complete integration of Bremer Landesbank into NORD/LB, the One Bank transformation programme also includes researching further cost-cutting potential within the Group structure, which impact both staff and material costs. One Bank aims to sustainably reduce costs by € 200 million by the end of 2020 and in this connection, eliminate up to 1,250 positions in the NORD/LB Group. In the 2018 reporting year, measures to reduce staff costs were more precisely defined and implemented. In this context, the € 107.0 million in provisions for reorganisation measures formed for NORD/LB in the 2017 reporting year were increased to € 194.0 million as at 31 December 2018. For further information on the One Bank transformation programme, we would refer you to the corresponding sections of the combined management report.



On 2 February 2019, the owners and the Managing Board of the bank decided to transfer a significant part of the ship financing portfolio of NORD/LB amounting to approx. € 2.6 billion to an external investor as part of a portfolio transaction. This portfolio comprises exclusively non-performing loans. In addition, the Managing Board decided on 2 February 2019 to build up an extensive, additional loan loss provision for the entire NPL portfolio for the financial year 2018. Taken together, this resulted in a net accumulated loss of 2.4 billion in the annual financial statements as of 31 December 2018 and to a significant shortfall on regulatory requirements for minimum capital.

The owners of the bank thereupon agreed, together with the German Savings Banks Association (DSGV), to implement measures to reinforce capital and realign the bank. These measures include strengthening equity by € 3.5 billion although the full amount will not be provided in the form of cash capital contributions but also through suitable alternative arrangements.

For this reason and taking account the assessment of the bank's future development, accounting and measurement in the NORD/LB Group continues to be based on the going concern assumption. The assumption regarding the bank's future development is based on the Group's long-term corporate plan in conjunction with the following key measures for reorganising the NORD/LB Group introduced in the reporting year and in the period between the end of the financial year and the preparation of the consolidated financial statements:

- a. establishing the conditions for carrying out the capital injection to which the owners have committed
- b. strategic resizing and extensive reorganisation of the Group with a focus on sustainable business areas
- c. implementing a comprehensive restructuring plan to achieve lasting cost reductions
- d. significantly reducing risk-weighted assets (RWA) by scaling back the non-performing loan portfolio and providing adequate shielding from further existing risks

#### **Assumption of going concern**

In the last few years, the ongoing crisis in commercial shipping has gradually led to rising non-performing loan portfolios as well as to significant loan loss provision requirements with corresponding pressure on the regulatory capital ratios for NORD/LB and the NORD/LB Group. Similar developments in financial year 2018 also contributed to the substantial loss for the year.

In order to reduce the non-performing ship financing portfolio and create the basis for measures to strengthen capital ratios, NORD/LB and its owners introduced a comprehensive concept for strengthening capital and repositioning the bank in financial year 2018; this concept also includes measures for selling non-performing loan portfolios. This was intended to prepare the bank for further increases in regulatory requirements and permanently strengthen its crisis resilience and competitiveness. In addition, the bank will continue to the realignment of its business model.

A bidding process to allow external investors to participate in NORD/LB was carried out to strengthen capital ratios. As part of this process, bids have been received from various investors for a possible investment in NORD/LB.

At the same time, NORD/LB worked on two portfolio transactions aimed at substantially reducing its NPL shipping loan portfolios.

On 2 February 2019, after a thorough evaluation of a joint bid by two financial investors to reinforce the capital of NORD/LB, submitted as part of the bidding process, the owners of NORD/LB decided to postpone this option and focus instead on a joint solution with the DSGV in the public sector. This decision was preceded by a discussion of the key elements of the solution proposed by the owners and DSGV with the banking regulators.

Key elements of this proposal to reinforce capital and reposition the business model include an injection of new equity by the owners and DSGV totalling € 3.5 billion, of which around € 2.4 billion is to be accounted for by the states of Lower Saxony and Saxony-Anhalt and around € 1.1 billion by the Sparkasse Finance Group. Furthermore, of the proportion to be shouldered by the states, around € 1.7 billion is to be paid as a cash capital contribution and € 0.8 billion in the form of suitable alternative capital measures. The key elements were set out for the regulators in a joint letter from the owners and DSGV dated 20 February 2019. The proposal will be given more concrete form in further discussions with the owners and DSGV in the course of 2019, and must be agreed with the banking regulators as well as the EU Commission from the perspective of government subsidies..

On the basis of these measures to strengthen capital, the Managing Board and owners of NORD/LB also decided on 2 February 2019 to transfer part of NORD/LB's ship financing portfolio amounting to approx. € 2.6 billion to an external investor as part of a portfolio transaction with the aim of achieving a substantial reduction in the NPL ship loan portfolio. This portfolio comprises exclusively non-performing loans. The effects of this agreed transaction on the bank's annual financial statements and consolidated statements as at 31 December 2018 as well as additional loan loss provisions required on the remaining NPL ship loan portfolio led to an overall loan loss provision of € 1.7 billion for financial year 2018.

This was instrumental in leading to a loss for the Group for financial year 2018 of approx. € 2.4 billion after tax in accordance with IFRS. Under German commercial accounting rules, NORD/LB AöR incurred a loss for the year of approx. € 2.4 billion after tax. The above-mentioned loss for financial year 2018 will result in a shortfall on the regulatory requirements for minimum capital ratios as at the closing date of 31 December 2018 until the capital injection is carried out. The banking regulators have been informed accordingly by NORD/LB..

On 5 February 2019, NORD/LB entered the restructuring phase of its recovery plan due to the foreseeable negative impact on key profitability and capital indicators.

On the basis of the above-mentioned measures to strengthen capital and its loan portfolio transactions, NORD/LB, at the request of the banking regulators, has prepared a capital strategy and business plan which was submitted to the regulators on 1 March 2019 and presented to them on 4 March 2019 together with the owners and DSGV. NORD/LB assumes that with the implementation of the capital reinforcement measures included in this plan and the realignment of the business model, the capital ratios will rise again significantly in the future and meet all regulatory requirements.

Furthermore, NORD/LB decided to postpone the second ship portfolio transaction and instead pursue the transfer of the portfolio to an internal liquidation unit.

The measures for realigning the business model of NORD/LB provide for an extensive transformation of individual business areas and subsidiaries of the bank and Group in the coming years.

The capital strategy and business plan upon which the Managing Board's forecast of the bank as a going concern is based, take account of the capital injection described and the realignment of the business model.

The going concern assumption made for accounting and measurement purposes as well as the continued existence of NORD/LB are subject to considerable uncertainty and are based in particular on the assumption that

- the measures pursued to strengthen capital on the level of NORD/LB will be implemented, completed and approved by all relevant stakeholders, in particular by the state parliaments of Lower Saxony and Saxony-Anhalt and by the DSGV, so that the capital ratios and buffers as well as the thresholds required by the regulators will be met again in future,
- the banking regulators, in particular the European Central Bank, the Federal Financial Supervisory Authority and the Deutsche Bundesbank, will tolerate the failure to meet the minimum capital ratios required by the regulators until the measures pursued to reinforce capital at the level of NORD/LB have been completed,
- all official permits required to implement the plan, particularly from the EU Commission and the responsible banking regulators, will be issued and
- the realignment of the business model and the restructuring measures envisaged are put into practice on schedule.

If the measures envisaged to reinforce capital on the level of NORD/LB are not carried out as planned, NORD/LB could be wound up. In this case or in the event of a credit rating downgrade or other adverse developments, significant outflows of short-term funds could be triggered and NORD/LB's funding options fundamentally restricted.

It is also necessary that the acceptance by market participants and other relevant stakeholders needed for the successful implementation of the realignment of NORD/LB's business model is given.

With regard to the assessment of the bank as a going concern and further information on the concrete implementation of measures a. to d., we refer additionally to the comments in the combined management report.

**Accounting policies – trading portfolio**

Financial instruments assigned to the trading portfolio are valued at fair value minus a risk haircut in accordance with § 340e para. 3 sentence 1 of the German Commercial Code. The change in fair value as compared to the last reporting date or to the acquisition costs - the valuation gains/losses - is recorded under the items Net income or Net loss from the trading portfolio. More information on the calculation of fair values is presented in the section titled “Establishing fair values”.

Current interest income and expenses from the trading business are shown in Interest income. Dividend income from the trading business is recorded under the item “Current income from shares and other variable yield securities”.

As there is currently no difference in terms of holdings between the trading portfolio reported in the balance sheet and the regulatory trading book, NORD/LB has used the Value-at-Risk (VaR) calculated for regulatory purposes, adjusted by regulatory offsetting using a correlated foreign currency VaR of the trading book in accordance with the internal model, based on Regulation (EU) No. 575/2013 (formerly SolvV), pursuant to § 340e para. 3 sentence 1 of the German Commercial Code (HGB), i.e. it deducted the VaR amount calculated from trading assets. The historical simulation method is used to calculate the VaR.

The VaR parameters used in accordance with banking supervisory regulations, and which are therefore also relevant for reporting in accordance with commercial law, are:

- Use of a correlated VaR for the following risk types:
  - General interest-rate risk,
  - Specific interest-rate risk (issuer-specific credit-spread risk, no risk of default),
  - Currency risk,
  - Share-price risk,
  - Option-price risk
- Confidence level: 99 %
- Holding period: 10 days
- Observation period: 1 year.

The mid-market rate is used for the valuation of the trading portfolio. Furthermore the effects of the inclusion of counterparty-specific default risks for OTC derivatives are recorded as a credit value adjustment (CVA) or debit value adjustment (DVA). The CVA/DVA ratios are calculated using exposure simulation and market-implied credit data. The Bank also uses OIS discounting for the valuation of secured OTC derivatives where OIS discounting has trended at the current market standard.

Moreover, NORD/LB AöR has applied a funding valuation adjustment (FVA) since financial year 2017. This adjustment represents the market-implied funding costs for unsecured derivative positions. A discounted approach was used for the calculation. The area of application comprises material unsecured OTC interest rate derivatives.

**Accounting policies – non-trading portfolio (banking book)**

The cash reserve is recognised at nominal value.

Loans and advances to customers and banks are recognised at nominal value, respectively at amortised cost. If there are differences between the nominal values and the amounts paid out for mortgage loans and other loans and advances - insofar as they incur interest - the items are recognised at nominal value in accordance with § 340e para. 2 of the German Commercial Code. The differences are reported under Deferred income and written back as scheduled.

Low and interest-free receivables are recognised at their present value, and where necessary corrected by specific valuation allowances or general loan loss provisions.

Recognisable risks in the lending business are adequately accounted for through the formation of specific valuation allowances and provisions as part of the periodic or ad-hoc loan monitoring. Significant loans (volume of receivables per individual borrower from € 1.5 million) for which objective indications of impairment have been identified are provisioned on an individual basis. The amount is quantified as the difference between the carrying amount of the receivable and the present value of the anticipated future cash inflows from interest, repayments and the proceeds of sale of securities. The recognition of interest on impaired claims is recorded on the balance sheet by way of a present-value allocation of the carrying amount as interest income from the impaired receivable. The former Bremer Landesbank made use of this de facto accounting option in the past insofar as it recorded interest income so as to reduce risk provisioning, recording it as write-up to receivables and certain securities as well as from the reversal of reserves in lending business. Non-significant loans are recognised using a general valuation allowance per individual borrower, to which a statistically determined default amount is applied. Based on a credit rating classification system, country risks in the form of sovereign default risks and transfer risks are also taken into account in the evaluation of country-specific constraints and, where appropriate, provisions based on cautious standards are established for cross-border exposures to certain countries. Country risks are reflected with an assessment of compliance with country limits (rating procedure for country and transfer risk). Adequate general loan loss provisions are in place for other general credit risks. General loan loss provisions are still calculated according to statements from the BFA 1/1990 from the Banking Committee of the Institute of Public Auditors and the German Federal Ministry of Finance Circular of 10 January 1994. Insofar as credit risk is removed or declines, the stipulated types of risk provisioning are reversed to the corresponding extent. Here, NORD/LB complies with the requirement to reinstate original values as set down in tax and commercial law. If the Bank determines that a claim is completely or partially irrecoverable, it must be written down.

Securities held in the liquidity reserve are valued at the strict lower-of-cost-or-market principle. Securities in the banking book are treated in accordance with the diluted lower-of-cost-or-market principle where no foreseeable permanent impairment exists.

Pursuant to IDW RS HFA 22 from the German Institute of Public Auditors, structured products are broken down into their constituent parts (host instrument and embedded derivative) and recognised separately. The currently applicable accounting methods are applied to the constituent parts. The separated derivatives are considered in the loss-free valuation of the banking book or included in valuation units. Structured products which are measured at fair value or at the strict lower-of-cost-or-market principle are not recognised separately.

Option premiums and future margin payments for transactions that are not yet due as well as accrued interest income from interest-rate swap transactions are recorded under Other assets or Other liabilities. Amounts not yet amortised from interest-rate cap agreements and up-front payments from interest-rate swaps not yet amortised are included in Deferred income.

Credit Default Swaps (CDS) for which the Bank serves as the collateral provider are treated in a similar manner as the procedure for contingent receivables and contingent liabilities from guarantees and other indemnity agreements. If claims can be expected from the CDS, then provisions should be established. Income components from CDS in the collateral-provider position are stated in Commission income. If CDS have been taken out to hedge securities (with the Bank as collateral taker), the hedging effect of the CDS will be taken into account when the need for amortising the securities is assessed. If there is a risk that the creditworthiness of the collateral provider (counterparty to the CDS contract) is questionable, then this risk must be taken into consideration separately. The same procedure should be followed as for a guarantee. Income components from CDS in the collateral-taker position are stated in Interest income.

In those instances in which risks from the non-trading portfolio are transferred to the trading portfolio, internal transactions, just as external transactions, must be considered from a German commercial law perspective in line with the deputisation principle.

Participations and shares in affiliated companies are recorded at acquisition cost or at the lower fair value in the case of permanent impairment. If the reasons for the impairment loss no longer exist, then a write-up is made for no more than the acquisition cost.

Property and equipment are stated in the balance sheet at acquisition cost and those with finite useful lives are amortised. In so doing, their useful lives are established based on their economic benefit. Insofar as impairments are likely to be permanent, NORD/LB recognises an impairment loss. If the reasons for the recognition of the impairment loss no longer exist, write-ups are made up to a maximum of the amortised costs or amortised production costs. In the reporting year, impairment losses as per § 253 para. 3 sentence 5 of the German Commercial Code (HGB) amounted to €0 million (€ 0.1 million). Assets whose acquisition cost is between € 150 and € 1,000 are capitalised as pooled assets and depreciated at a flat rate of 20 percent per year over five years. Low-value assets whose acquisition cost does not exceed € 150 are fully depreciated according to tax law procedures in the year of their acquisition.

Pursuant to § 248 para. 2 of the German Commercial Code, NORD/LB exercised its option to capitalise internally generated intangible assets in the banking book. In this connection, the external costs incurred as a result of the development phase and internal development efforts are reported. The former Bremer Landesbank did not make use of this accounting option in the past. The useful life of software developed internally is generally set at five years.

Purchased software is depreciated over three years, unless otherwise specified in the contract.

Insofar as impairments are likely to be permanent, NORD/LB recognises an impairment loss. If the reasons for the recognition of the impairment loss no longer exist, write-ups are made up to a maximum of the amortised costs or amortised production costs.

Liabilities to banks and customers are shown at their settlement values as liabilities. Interest-rate related differences between amounts borrowed and amounts repaid are reported under Deferred income and written back as scheduled.

Zero bonds are recognised at their purchase price plus accrued interest in accordance with the yield on purchase.

Provisions are valued at the settlement value based on sound business judgement. Provisions with a term of more than one year are discounted at the average market interest rate for their corresponding residual terms as published by the German Bundesbank in accordance with the German Regulation on the Discounting of Provisions (Rückstellungsabzinsungsverordnung). Interest and expenses from discounting provisions are recorded under Other operating income and expenses. The impact resulting from the change in the underlying discount rates is also shown in Other operating income and expenses.

The Bank exercised the netting option for income and expenses pursuant to §340 f para. 3 of the German Commercial Code.

Negative interest income as well as positive interest expenses are recognised separately on the income statement. The negative interest income arose on loans and advances to banks and loans and advances to customers (incl. repurchase transactions). The positive interest expenses arose on liabilities to banks and liabilities to customers (incl. repurchase transactions).

#### **Calculation of fair values**

Fair values must be determined for accounting purposes (valuation of primary and derivative financial instruments held for trading at fair value) and for reporting purposes (designation of fair value for derivative financial instruments not held for trading). For both of these purposes, the fair values are determined in the same manner as described below.

If financial instruments are traded on an active market, the market/stock exchange price is used to directly determine the fair value, i.e. in this case no adjustments or present value calculations are made in order to determine the fair value. Publicly listed stock market prices or quotations in liquid markets are used if available. Otherwise other sources of prices are used (e.g. quotes from market makers). Examples of financial instruments held by NORD/LB that are traded on an active market are exchange-traded securities and futures.

In all other cases, the fair value is determined using generally recognised valuation methods. Some of the generally recognised valuation methods used by NORD/LB for primary and derivative trading operations include the following:

Valuation method	Application	Significant input parameters
Discounted cash flow method	Illiquid interest-bearing securities	Swap curves, credit-spreads
	Credit default swaps	Swap curves, credit-spreads
	Interest-rate swaps, FRAs	Swap curves
	Securities forward contracts	Specific -securities forward prices, swap curves
	Interest-rate currency swaps, Forward exchange contracts transactions	Swap curves in the currencies traded, basic swap spreads, exchange rate
Hull & White Model for options	Bermudan swaptions	Volatility of the underlying market price, risk-free interest rate, swap curves, mean reversion
Black-Scholes Model	FX options	Exchange rates, Volatility of the underlying exchange rate, risk-free interest rate for both currencies
	OTC share options (European)	Volatility of the underlying, risk-free interest rate, underlying (share), dividends
Barone-Adesi, Whaley-Model	OTC FX options (American), OTC share options (American)	Exchange rates, volatility of the underlying market price, risk-free interest rate, underlying (share), dividends
Normal Black Model	Caps and floors Swaptions	Volatility of the underlying market price, risk-free interest rate
CVA/DVA (with simulation method or current exposure method)	All derivatives subject to credit risk	Market value, ratings, creditspreads, swap curves, netting and collateral information
FVA (discounting rate )	Unsecured Interest-rate swaps and -swaptions	Fair values, swap curve, CCY - basic swap spreads,

The main factors were reliably determined for all trading operations valued by means of the above-mentioned valuation methods. Consequently, there were no instances in which NORD/LB was not able to determine the fair value.

### Accounting of securities lending

In securities lending transactions, NORD/LB allocates the beneficial ownership to the lender. The result is that the lent securities remain on NORD/LB's balance sheet and are measured according to the valuation rules of the respective security category. If NORD/LB borrows securities, the securities are not recognised by NORD/LB as beneficial ownership was not transferred to NORD/LB.

### Pension obligations

In 2015 NORD/LB AöR transferred some of its existing pension obligations to the provident fund Norddeutsche Landesbank Girozentrale Hannover/Braunschweig e. V., Hanover. The same was realised by Bremer Landesbank by the inclusion of the existing provident fund of Bremer Landesbank Kreditanstalt Oldenburg GmbH (provident fund). These transfers resulted in pension entitlements through direct and indirect commitments. NORD/LB's direct and indirect pension provisions are measured using an accrued benefit calculation known as the Projected Unit Credit Method. This method measures the current pensions on the reporting date and the share of the pension entitlements earned through years of service. Future increases expected due to associated future expected salary increases or pension adjustments are also taken into account. The actuarial present value of obligations is determined by discounting the expected future pension benefits (settlement value as per § 253 para. 1 sentence 2 of the



German Commercial Code) at the average market interest rate for the past ten financial years applicable on the reporting date as per § 253 para. 2 of the German Commercial Code. In determining the actuarial present value of pension obligations, the simplification rule as per § 253 para. 2 sentence 2 of the German Commercial Code is used and the interest rate is generally discounted over a residual period of 15 years. The new 2018 G mortality tables from Heubeck AG were used to determine the pension provisions. This resulted in an increase in the pension provision of € 3.5 million relating to other periods.

The new amount resulting from the change in the way pension obligations are measured under the Accounting Law Reform Act (BilMoG) of 1 January 2010 is € 395.1 million for the public-law institution. In application of the simplification rule pursuant to Art. 67 para. 1 sentence 1 of the Introductory Act on the German Commercial Code (EGHGB), the difference between the new amount and the previous amount will be distributed over 15 years. As a consequence of this change in procedure, the distribution of the difference in the amounts was limited to the direct pension obligations, reducing the remaining distribution time. The differential amount remaining from previous years totalling € 0.6 million was reversed in the reporting year.

The Bank's provisions in Germany amounted to € 578.4 million (€ 530.1 million) as at 31 December 2018. € 333.0 million (€ 284.6 million) of the provisions are allocated to direct obligations. The difference in amounts is € 73.3 million (€ 61.4 million) for the Bank in Germany at a pension obligation rate in line with the average market interest rate from the past seven fiscal years. The indirect pension liabilities of € 245.5 million (€ 245.5 million) arose from a negative balance (difference between the requisite settlement value for the pension obligations as per § 253 para. 1 sentence 2 para. 2 of the German Commercial Code and the assets transferred to the provident fund) at the time the means of implementation was changed provided the reason for provisioning still existed as per § 249 para. 2 sentence 2 of the German Commercial Code. Accordingly, the changes to indirect pension provisions can no longer be accounted for through profit and loss; in particular, changes to the discount rate do not affect the balance sheet nor do they result in either profit or loss. The shortfall resulting from unrecognised pension obligations pursuant to Art. 28 para. 2 of the Introductory Act on the German Commercial Code (EGHGB) amounts to € 737.3 million (€ 549.6 million).

The following assumptions for the German Bank were used to determine the direct and indirect pension obligations:

	2018	2017
Discount rate (10-year average interest rate)	3,21%	3,68%
Discount rate (7-year average interest rate) <sup>1)</sup>	2,32%	2,80%
Salary increases	2,00%	2,00%
Pension increases	2,75%	2,75%
Fluctuation	3,00%	3,00%

<sup>1)</sup> The average market interest rate from the past seven fiscal years was applied until 2015 for measuring NORD/LB's pension benefit obligations. Starting in 2016, this rate has been used to calculate the difference in amounts as per § 253 para. 6 of the German Commercial Code.

The measurement of NORD/LB's direct and indirect pension provisions is based on Dr Klaus Heubeck's 2018 G mortality tables (2017: 2005 G mortality tables).

The settlement value of the existing pension plan in New York is equivalent to € 0.3 million (€ 0.3 million).

As regards indirect pension obligations, the London branch had a shortfall of € 3.2 million (€ 1.8 million) at 31 December 2018.

Based on a service agreement, NORD/LB employees have the option of placing credit balances from time credits and deferred remuneration into long-term working time credit accounts which are invested in a special fund through a trustee.

This relates to a securities-linked commitment, so that the relevant provisions are recognised at the fair value of the fund's assets and are netted against the pension plan assets as per § 253 para. 1 of the German Commercial Code.

As at 31. December 2018, the fair value of the special funds amounted to € 9.8 million (€ 9.2 million), determined in accordance with the German Capital Asset Accounting and Assessment Regulation (KARBV), with acquisition costs of € 9.8 million (€ 9.1 million). The repayment amount comes to € 9.8 million (€ 9.1 million).

Income and expenses from the pension plan assets and the corresponding provisions are offset in Other operating profit/loss. The income and expenses offset in the reporting year amount to 44 246.16 € (14 674.36 €).

#### **Currency translation**

Currency translation is carried out in the non-trading portfolio in accordance with § 256a in conjunction with § 340h of the German Commercial Code ("special cover") and the statement made by the "Bankenfachausschuss" (Banking Committee) of the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany) (IDW RS BFA 4), as the Bank manages currency risk via separate currency positions and carries the individual currency items in the currency positions. The special cover comprises all assets, liabilities and pending transactions which are not allocated to the trading portfolio, are financial instruments and are in a foreign currency.

The assets and liabilities and the valuation of forward currency transactions and outstanding spot currency transactions are translated using the average spot exchange rate (ECB reference exchange rate) or rates from other reliable sources on the reporting date.

For futures transactions in the non-trading portfolio, the pro-rata, swap premiums/discounts which have not yet been amortised are valued at the current swap rates for the remaining term of the transactions.

The results from the valuation of the remaining positions are added for each currency; losses are deducted. Any remaining positive results, such as unrealised gains from open items, are not recognised.

As regards financial instruments in the trading portfolio, currencies are translated in accordance with the corresponding valuation and accounting principles. The results of the currency translations are reported under the items Net income or Net expenses in the trading portfolio.

The results of these currency translations for financial instruments in the non-trading portfolio are netted out and recorded under Other operating income.

Overall NORD/LB's assets and liabilities in foreign currencies total € 33.6 billion (€ 38.9 billion) and € 34.7 billion (€ 36.3 billion) respectively.

The base currency used for reporting at the foreign branches in London, Shanghai and Singapore is the euro, while the base currency for the New York branch is the US dollar. All transactions are posted in their original currency. Assets, liabilities and off-balance-sheet transactions are translated into the base currency using the respective ECB reference rate on the reporting date. Expenses and income in foreign currency are translated daily into the base currency using the ECB reference rate. The balance sheet and income statement of the New York branch are converted from the base currency of the US dollar into euros using the ECB reference rate as at the reporting date.

#### **Formation and accounting of valuation units**

In the following cases, NORD/LB's economic hedging transactions are also shown in the balance sheet by forming valuation units:

- Individual transaction-specific interest hedges of fixed-interest securities in the liquidity reserve with interest-rate swaps (2018: €1 112.0 million; 2017: €1 168.9 million);
- Individual transaction-specific hedges of the underlying share price or exchange-rate risks of certain structured issues with share-price or exchange-rate-specific derivatives (2018: € 276.7 million; 2017: € 176.8 million);
- Individual transaction-specific passing on of inflation risk hedged against customers to the market (2018: € 104.8 million; 2017: € 111.2 million).

In addition to the above-mentioned hedging relationships shown as valuation units, there are the following economic hedging transactions which are not shown in the balance sheet by forming valuation units, but by the measures below:

- Currency hedges in the banking book. The economic hedging relationship is presented in the balance sheet by the conversion of the foreign-currency assets, foreign-currency liabilities and pending currency transactions in accordance with § 256a in conjunction with § 340h of the German Commercial Code.
- Hedging of general interest-rate risk in the banking book within the scope of asset/liability management (overall bank management).  
The economic control relationship is taken into account when assessing whether the requirements for loss-free valuation in the banking book have been complied with by considering all of the interest-bearing banking book assets and liabilities and all interest derivatives in the banking book.
- Hedging of the default risk relating to the banking book assets with CDS contracts. The economic hedging relationship is presented in the balance sheet by considering the hedge effect of the CDS contracts in the calculation of the valuation allowance required for the hedged assets.

NORD/LB uses the freeze method for any valuation units formed.

**Loss-free valuation of interest-rate-based transactions in the banking book (interest book)**

Interest-rate-based financial instruments in the banking book (interest book) are subject to a loss-free valuation as stipulated by the Institute of Public Auditors in Germany (IDW RS BFA 3 (new version)). If the value of the payment obligation from the interest-bearing transaction is greater than the value of the counterperformance, a provision for anticipated losses in the amount of the excess liability is to be made.

In the present value approach, NORD/LB compares the cash flows, discounted as at the reporting date, of all on-balance-sheet and off-balance-sheet interest-rate-based financial instruments outside of the trading portfolio with their carrying amounts, also taking into account the expected funding risk expenses, risk expenses and administrative expenses. As at the reporting date there was no excess liability.

## II. Disclosures and Notes to the Balance Sheet and Income Statement

The notes below concerning the individual items of the balance sheet and income statement appear in the order that the items are reported as per § 284 para. 1 sentence 1 of the German Commercial code:

<b>Notes to the Balance Sheet</b>	<b>Assets</b>	
(in € 000)	31 Dec.2018	31 Dec.2017
<b>3. Claims on banks</b>		
<b>Balance sheet value</b>	<b>27 926 478</b>	<b>30 684 631</b>
of which		
with a residual term of		
Due on demand	9 232 186	13 150 714
less than 3 months	6 839 267	4 333 459
more than 3 months but less than 1 year	1 630 204	1 764 207
more than 1 year less than 5 years	3 242 726	3 571 815
more than 5 years	6 982 095	7 864 435
of which		
Claims on affiliated companies	2 513 282	2 491 150
Claims on companies in which an equity investment exists	13 739	77 475
Subordinated receivables	195 116	195 116
<b>The full amount of receivables from banks includes:</b>		
Claims on affiliated savings banks	8 368 628	8 024 182
<b>4. Claims on customers</b>		
<b>Balance sheet value</b>	<b>61 864 878</b>	<b>65 885 671</b>
of which		
with a residual term of		
less than 3 months	8 624 487	10 117 818
more than 3 months but less than 1 year	5 427 517	6 323 296
more than 1 year less than 5 years	22 099 049	22 694 135
more than 5 years	25 713 825	26 750 422
of which		
Claims on affiliated companies	430 968	745 346
Claims on companies in which an equity investment exists	160 769	379 841
Subordinated receivables	214 113	226 713
Used to cover old stock	967 495	1 231 831
With an indefinite term	1 573 948	1 278 281
<b>5. Debt securities and other fixed-interest securities</b>		
<b>a) Money-market instruments</b>		
<b>aa) Issued by public sector issuers</b>		
<b>Balance sheet value</b>	<b>10 210</b>	<b>47 454</b>
of which		
due in the following year	10 210	47 455
marketable and listed money-market instruments	10 210	47 454

<b>Notes to the Balance Sheet</b>	<b>Assets</b>	
(in € 000)	31 Dec.2018	31 Dec.2017
<b>ab) Issued by other issuers</b>		
<b>Balance sheet value</b>	<b>374 492</b>	<b>823 712</b>
of which		
due in the following year	374 483	823 707
marketable and listed money-market instruments	<b>360 982</b>	750 842
<b>b) Bonds and debt securities</b>		
<b>ba) Issued by public sector issuers</b>		
<b>Balance sheet value</b>	<b>6 363 023</b>	<b>7 138 333</b>
of which		
due in the following year	1 253 181	557 666
marketable and listed money-market instruments	6 159 212	6 960 073
marketable and unlisted money-market instruments	203 810	178 260
<b>bb) Issued by other issuers</b>		
<b>Balance sheet value</b>	<b>12 147 487</b>	<b>12 206 248</b>
of which		
due in the following year	1 903 136	1 440 868
marketable and listed money-market instruments	11 583 950	11 547 608
marketable and unlisted money-market instruments	563 537	658 640
Affiliated company securities	3 319 258	3 063 353
Subordinated debt securities	228 297	276 430
<b>c) Debt securities, issued by the institution itself</b>		
<b>Balance sheet value</b>	<b>213 907</b>	<b>121 973</b>
of which		
due in the following year	5 764	20 285
marketable and listed money-market instruments	213 907	121 973
<b>6. Shares and other non fixed-interest securities</b>		
<b>Balance sheet value</b>	<b>1 288 540</b>	<b>1 270 557</b>
of which		
marketable and listed shares and other non fixed-interest securities	–	4 130
marketable non listed shares and other non fixed-interest securities	1 071	198
<b>6a. Trading portfolio</b>		
<b>Balance sheet value</b>	<b>10 532 832</b>	<b>10 554 884</b>
of which		
Derivative financial instruments	5 812 796	5 248 438
Claims	2 826 477	2 079 970
Debt securities and other fixed-interest securities	1 901 046	3 229 560
Shares and other non fixed-interest securities	3 052	1 813
Risk discount	– 10 539	– 4 897

## Notes to the Balance Sheet

## Assets

(in € 000)	31 Dec.2018	31 Dec.2017
<b>7. Participations</b>		
<b>Balance sheet value</b>	<b>173 730</b>	<b>174 617</b>
of which		
Marketable unlisted shares	–	6 924
The equity holding is shown in Paragraph III no. 11		
<b>8. Investments in affiliated companies</b>		
<b>Balance sheet value</b>	<b>1 390 923</b>	<b>1 404 623</b>
of which		
Marketable unlisted shares	1 098 845	1 098 401
The equity holding is shown in Paragraph III no. 11		
<b>9. Assets held in trust</b>		
<b>Balance sheet value</b>	<b>3 200 819</b>	<b>3 503 281</b>
of which		
Claims on banks	554 190	517 603
Claims on customers	2 646 629	2 980 811
<b>11. Intangible assets</b>		
<b>Balance sheet value</b>	<b>106 096</b>	<b>111 329</b>
of which		
internally generated software <sup>1)</sup>	40 431	40 636
Finance lease	2 276	3 368
<b>12. Tangible assets</b>		
<b>Balance sheet value</b>	<b>308 462</b>	<b>318 199</b>
of which		
land and buildings	269 257	275 944
Operating and office equipment	39 205	42 255
<b>14. Other assets</b>		
<b>Balance sheet value</b>	<b>2 753 374</b>	<b>1 539 364</b>
of which		
The following are reported as significant items:		
Option premiums and margins	827 030	801 376
accrued and due interest from interest rate swaps	472 055	514 840
Balancing item from currency valuation	52 743	62 099
Reported assets on interim accounts	1 284 326	53 162
Claims against fiscal authorities	31 288	14 422
Pro rata interest claims from flat-traded securities held for trading	11 815	9 868
irrevocable payment commitments	40 762	24 715
<b>15. Deferred expenses and accrued income</b>		
<b>Balance sheet value</b>	<b>1 304 110</b>	<b>1 352 992</b>
of which		
deferred premiums in accordance with § 340e Paragraph 2 HGB	641 653	616 211
discounts and maturing premiums	662 456	106 218

<sup>1)</sup> In the 2018 reporting year, development costs in the amount of € 6.0 million (€ 1.8 million) were incurred for the development of software; there were no costs of research.

## Assets

The table below shows the changes to fixed assets:

	Aquisition/ manufac- turing cost	Additions	Disposals	Reclassi- fications	Accu- mulative deprecia- tion	Balance sheet value 2018	Balance sheet value 2017	Depreciation for the accounting- period
(in € 000)								
<b>Intangible assets</b>	<b>304 581</b>	<b>19 308</b>	<b>2 162</b>	<b>-</b>	<b>193 252</b>	<b>106 096</b>	<b>111 329</b>	<b>22 599</b>
internally generated industrial property rights and similar rights and values	125 979	5 967	-	-	85 343	40 431	40 636	6 173
Concessions, industrial property rights and simi- lar rights and values including its licences against payment	171 064	12 715	148	-	105 816	62 700	65 248	15 334
Advance payments made	2 077	627	2 013	-	-	690	2 077	-
Finance lease	5 461	-	-	-	2 093	2 276	3 368	1 092
<b>Tangible assets</b>	<b>604 212</b>	<b>8 193</b>	<b>9 888</b>	<b>-</b>	<b>286 013</b>	<b>308 462</b>	<b>318 199</b>	<b>17 291</b>
land and buildings	368 072	2 735	1 094	-	92 128	269 257	275 944	7 642
Operating and office equipment	236 140	5 458	8 795	-	193 885	39 205	42 255	9 648
		Change <sup>1)</sup>						
Participating interests			- 887			173 730	174 617	
Investments in affiliated companies			- 13 700			1 390 923	1 404 623	
Securities in fixed assets		4 868	- 516 512			1 918 366	2 430 010	
of which:								
Bonds and debt securities			- 516 512			1 913 498	2 430 010	
Shares		4 868				4 868	-	

<sup>1)</sup> The summary provided for under § 34 para. 3 of the German Accounting Regulation for Credit and Financial Services Institutions (RechKredV) was utilised.



Notes to the Balance Sheet	Liabilities	
(in € 000)	2018	2017
<b>1. Liabilities to banks</b>		
<b>Balance sheet value</b>	<b>41 256 799</b>	<b>41 784 088</b>
of which		
<b>a) Due on demand</b>	<b>5 633 258</b>	<b>4 266 438</b>
of which		
Liabilities to affiliated companies	33 173	69 960
Liabilities to companies in which an equity investment exists	–	1 723
<b>b) With an agreed term or notice period</b>	<b>35 623 541</b>	<b>37 517 650</b>
of which with a residual term of		
less than 3 months	12 400 824	13 068 820
more than 3 months but less than 1 year	3 444 617	4 079 060
more than 1 year but less than 5 years	7 965 838	8 345 456
more than 5 years	11 812 262	12 024 314
of which		
Liabilities to affiliated companies	586 096	259 194
Liabilities to companies in which an equity investment exists	159 198	173 896
Assets pledged as collateral <sup>1)</sup>	21 104 266	13 331 662
<b>The full amount of bank loans and overdrafts includes:</b>		
Liabilities to affiliated savings banks	2 222 107	2 568 613
<b>2. Liabilities to customers</b>		
<b>Balance sheet value</b>	<b>49 769 569</b>	<b>49 696 993</b>
of which		
<b>a) Savings deposits</b>		
<b>aa) with an agreed notice period of three months</b>	<b>1 132 116</b>	<b>1 169 786</b>
<b>Savings deposits with an agreed notice period</b>		
<b>ab) of more than three months</b>	<b>16 078</b>	<b>16 289</b>
of which with a residual term of		
less than 3 months	253	3 745
more than 3 months but less than 1 year	885	2 172
more than 1 year but less than 5 years	13 840	9 769
more than 5 years	1 099	603
<b>b) Other liabilities</b>		
<b>ba) Due on demand</b>	<b>19 012 608</b>	<b>18 451 400</b>
of which		
Liabilities to affiliated companies	68 251	112 627
Liabilities to companies in which an equity investment exists	133 139	130 561

<sup>1)</sup> Collateral has been provided for borrowing undertaken within the scope of genuine repos. Collateral was also provided for refinancing funds for specific purposes and open market transactions to the German Bundesbank.

<b>Notes to the Balance Sheet</b>	<b>Liabilities</b>	
(in € 000)	2018	2017
<b>bb) With an agreed term or notice period</b>	<b>29 608 767</b>	<b>30 059 518</b>
of which with a residual term of		
less than 3 months	4 463 510	4 572 872
more than 3 months but less than 1 year	5 196 092	6 643 471
more than 1 year but less than 5 years	5 542 774	5 267 039
more than 5 years	14 406 391	13 576 137
of which		
Liabilities to affiliated companies	-	-
Liabilities to companies in which an equity investment exists	217 283	271 529
Assets assigned as collateral	388 433	41 871
<b>3. Securitised liabilities</b>		
<b>a) Issued debt securities</b>		
<b>Balance sheet value</b>	<b>20 699 569</b>	<b>25 507 590</b>
of which		
Due in the following year	6 093 824	6 332 314
Liabilities to affiliated companies	1 006 163	1 005 884
Liabilities to companies in which an equity investment exists	25 808	25 808
<b>b) Other securitised liabilities</b>		
<b>Balance sheet value</b>	<b>87 472</b>	<b>39 987</b>
of which with a residual term of		
less than 3 months	87 442	37 582
more than 3 months but less than 1 year	-	516
more than 1 year but less than 5 years	-	1 264
more than 5 years	30	624
<b>3a. Trading portfolio</b>		
<b>Balance sheet value</b>	<b>5 991 084</b>	<b>5 458 540</b>
of which		
Derivative financial instruments	5 631 343	5 278 935
Liabilities (for short-term securities)	359 741	179 605
<b>4. Liabilities held in trust</b>		
<b>Balance sheet value</b>	<b>3 200 819</b>	<b>3 503 281</b>
of which		
Liabilities to banks <sup>1)</sup>	975 560	1 233 686
Liabilities to customers	2 225 259	2 264 729

<sup>1)</sup> This includes equity of Investitionsbank Sachsen-Anhalt in the amount of € 182.8 million (€ 174.4 million).

**Notes to the Balance Sheet****Liabilities**

(in € 000)	2018	2017
<b>5. Other liabilities</b>		
<b>Balance sheet value</b>	<b>1 572 942</b>	<b>1 439 723</b>
of which		
reported as significant items:		
Balancing item from currency valuation	556 195	373 779
Premiums received for option transactions	613 949	610 375
Interest payable and accrued interest from swaps	257 098	300 578
Interest payable from profit participation rights, subordinated liabilities and capital contributions	28 426	26 328
Outstanding items on interim accounts, not classified	58 841	58 591
Liabilities from goods and services received	37 993	34 312
Liabilities to fiscal authorities	1 751	2 565
<b>6. Deferred income</b>		
<b>Balance sheet value</b>	<b>821 918</b>	<b>863 849</b>
of which		
Deferred premiums from issuing and loan business	565 474	575 936
Discounted premiums from issuing and loan business according to § 340e para 2 of the German Commercial Code	256 444	10 036
<b>7. Provisions</b>		
of which		
<b>Other provisions</b>	<b>664 459</b>	<b>557 012</b>
NORD/LB forms provisions for pensions and similar duties, tax provisions and other provisions for uncertain liabilities.		
Basically the following items are shown under other provisions:		
Staff expenses – other	289 738	250 489
Restructuring provisions "One Bank"	194 039	106 990
Legal risks	32 942	44 818
Staff expenses – reorganisation provisions (efficiency improvement programme)	22 641	33 910
Risks from lending business	38 610	27 756
anticipated losses on pending transactions	1 718	1 718
<b>9. Subordinated liabilities</b>		
<b>Balance sheet value</b>	<b>2 808 505</b>	<b>2 804 537</b>
of which		
due within five years in accordance with the CRR	1 131 600	868 600

In respect of the reported liabilities, NORD/LB paid interest in the amount of € 128.2 million (€ 134.1 million).

The following subordinated liabilities exceed 10 % of the total amount:

Currency amount	Interest rate	Due on
€ 350 million	6,00 % p.a.	29 Jun. 2020
USD 500 million	6,25 % p.a.	10 Apr. 2024

An early repayment obligation only exists if a change in taxation results in additional payments to the transferee.

The conditions for the subordination of these funds comply with applicable statutory provisions. The conversion of these funds into capital or any other form of debt has not been agreed and is not planned.

(in € 000)	2018	2017
<b>10a Instruments of additional regulatory Tier 1 capital</b>		
<b>Balance sheet value</b>	50 200	50 200

The Tier-1 bond was issued on the following terms:

Currency amount	Interest rate	Due on
€ 50.2 million	8,50% p.a.	until maturity

(in € 000)	2018	2017
<b>11. Funds for general banking risks</b>		
<b>Balance sheet value</b>	68 308	68 308

## 12. Equity

The accumulated loss includes the profit carried forward from the previous year in the amount of € 85 116 142.95.

A proposal to settle the net accumulated loss for 2018 by taking into account the profit carried forward from 2017 will be presented to the owners for approval at the Owners' Meeting to approve the annual financial statement.

## 1. Contingent liabilities

As at 31 December 2018 there were nine material liabilities relating to sureties and guarantees from the lending business. The individual amounts ranged from € 72.9 million (€ 65.5 million) to € 198.4 million (€ 202.3 million). NORD/LB's maximum liability to customers from guarantees was € 7 982.2 million (€ 7 076.5 million) and letters of credit in the amount of € 119.3 million (€ 231.9 million).

The risk of the contingent liabilities being utilised is considered to be low as the liabilities are ranked and monitored on a credit-related basis. Risk provisioning in the amount of € 15.3 million (€ 12.9 million) was allocated.

## 2. Other obligations

Irrevocable loan commitments in 2018 can be broken down as follows (in € million):

(in € 000)	2018	2017
Commercial enterprises	6 449	6 620
Banks	526	689
Public authorities	47	92
Private persons	151	137
<b>total</b>	<b>7 173</b>	<b>7 538</b>

As at 31 December 2018, other liabilities include material irrevocable loan commitments, the individual amounts of which range from € 87.3 million (€ 94.2 million) to € 282.3 million (€ 170.0 million).

Based on the credit rating analyses, credit-related ranking and monitoring of other liabilities that have been conducted, it is generally assumed that the borrowers will meet their obligations. Risks may arise from a drop in the customers' credit ratings, for which an appropriate provision has been made. This provision amounts to € 19.3 million (€ 13.9 million).

## 3. Unrestricted letters of comfort

NORD/LB ensures that the following companies are able to meet their obligations:

- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover
- Nieba GmbH, Hanover, Germany
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg - Findel, Luxembourg
- Skandifinanz AG, Zurich, Switzerland.

On account of the economic situation of these companies, NORD/LB does not expect claims under the aforementioned letters of comfort. Correspondingly, at the present moment, there is no need to determine the extent of possible liability under the letters of comfort.

The letter of comfort in favour of NORD/LB Asset Management Holding GmbH, Hanover, was rescinded.

### Notes to the income statement

The total balance of the income statement items 1., 4., 5., 7., 9. and 10. is spread across the following regions:

	Federal Republic of Germany	Europe (excl. of Federal Republic of Germany)	North America	Asia	Total
(in € 000)					
<b>1. Net interest income</b>	4 088 249 (4 131 740)	– (2 658)	135 929 (126 685)	83 954 (72 122)	4 308 131 (4 333 204)
<b>4. Positive Interest from Lending and money market transactions</b>	64 345 (59 889)	– (3)	– (69)	– (–)	64 345 (59 961)
<b>5. Current income</b>	44 851 (47 858)	– (–)	– (–)	– (–)	44 851 (47 858)
<b>7. Net commission income</b>	238 995 (220 220)	5 285 (4 194)	25 024 (22 528)	14 570 (13 622)	283 873 (260 564)
<b>9. Net profit of trading portfolio</b>	29 463 (124 543)	– 51 (– 105)	1 393 (– 2 079)	– 1 069 (– 1 623)	29 736 (120 737)
<b>10. Other operating income</b>	65 709 (84 984)	205 (112)	185 (777)	117 (171)	66 215 (86 044)
<b>Income statement items</b>	4 531 611 (4 669 234)	5 439 (6 863)	162 530 (147 980)	97 571 (84 292)	4 797 151 (4 908 368)

(in € 000)	31 Dec.2018	31 Dec.2017
<b>9. Net income/expenses deriving from trading business</b>		
The following are reported as material items:		
Net income from securities	–	6 444
Net expenditure from securities <sup>1)</sup>	6 701	–
Net expenditure from claims (registered securities)	3 877	52 591
Net income from derivatives	34 609	135 841
Income from the change in value at risk reduction	–	12 099
Expense from the change in the Value at Risk deduction	5 642	–
Foreign exchange result	13 899	23 288
<b>10. Other operating income</b>		
The following are reported as material items:		
Reversal of provisions	25 347	21 200
Land rental income	5 662	5 583
Offsetting of services with promotion institutes	3 575	3 339
Profit from hedge derivatives of own issues	9 084	10 675
IT services for third parties	455	492
Income from the resale of hardware, software and services	248	45
<b>13. Other operating expenses</b>		
The following are reported as material items:		
Interest expenses from the valuation of provisions	72 673	53 535
Expenses for KSN services	12 517	10 922
Foreign exchange of banking book	–	2 436
Allocation to provisions for recourse risks	1 600	6 436
Interest expenses for payments of tax arrears	685	4 622
Expenses for the resale of hardware, software and services purchased	465	1 698
Price losses from redemption of promissory notes and registered bonds	18 334	56 273

## 22. Extraordinary result

The € 83.7 million (€0 million) in reorganisation expenses contained in extraordinary expenses includes non-recurring expenses which cannot be allocated to the operating business activities of NORD/LB.. These include consulting services for strategy, IT and legal advice for the redimensioning of the lending business, the planned capital-boosting programme and other measures to strategically realign the Bank.

The extraordinary result also includes expenses from an allocation to the restructuring provision amounting to € 135.5 million (€ 74.5 million), which have already been reduced by discounting in the amount of € 13.1 million (€ 7.0 million). At the same time, it was possible to release € 26.4 million (€0 million) from previous restructuring measures.

**Other financial obligations**

In accordance with the Restructuring Fund Regulation (RstruktFV), NORD/LB is required to pay a bank levy. On 1 January 2015 the Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 with regard to ex ante contributions to resolution financing arrangements entered into force. The Regulation supplements the EU Bank Recovery and Resolution Directive (BRRD; Directive 2014/59/EU).

Also in the current financial year, NORD/LB has opted to apply a portion of the fixed annual contribution as irrevocable payment. These payment liabilities, which total € 21.8 million (€ 15.0 million) are covered by cash collateral.

As a member of the deposit security reserve for Landesbanks which belongs to the Savings Banks Finance Group security system and owing to the European bank levy, NORD/LB is obliged to pay annual contributions. Apart from the contributions already made, there also exist obligations to make additional payments in the amount of € 106.1 million (€ 185.3 million). In the event of a need for support, these subsequent contributions could be collected immediately.

For the reporting year, an annual contribution in the amount of € 12.4 million (€ 18.6 million) which will be reported in other administrative expenses, will be due to the deposit security reserve.

Part of the fixed annual contribution to the deposit security reserve was provided as an irrevocable payment liability. These payment liabilities, which now total € 18.9 million (€ 13.6 million), are covered by cash collateral.

NORD/LB furthermore vouches for the obligations of the Sparkassenverband Niedersachsen (Association of the Savings Banks of Lower Saxony) resulting from its membership in the Deutscher Sparkassen- und Giroverband (German Association of Savings Banks and Girobanks) and the DekaBank Deutsche Girozentrale. In addition joint liability has been assumed for DekaBank Deutsche Girozentrale with the other shareholders of this bank for legacy liabilities established prior to 18 July 2005 within the scope of the guarantor function.

Furthermore, NORD/LB together with Sparkassenverband Niedersachsen (SVN) and Landesbank Berlin Holding AG act as guarantor for LBS Norddeutsche Landesbausparkasse Berlin-Hannover.

NORD/LB has a 100 % holding in Deutsche Hypothekbank (Actien-Gesellschaft). As the guarantor of the deposit security reserve for Landesbanks and clearing centres, it is obliged to reimburse Deutscher Sparkassen- und Giroverband e. V. all expenditures including interest and interest lost for supporting measures which cannot be paid from the fund established for Deutsche Hypothekbank (Actien-Gesellschaft) in accordance with the agreement concluded between Deutscher Sparkassen- und Giroverband e.V. and Deutsche Hypothekbank (Actien-Gesellschaft) on 19 December 2008.

NORD/LB had undertaken to release the Association of German Banks (Bundesverband deutscher Banken e.V.) from all losses which were a result of the measures in accordance with § 2 paragraph 2 of the statute of the "Einlagensicherungsfond" (deposit protection fund) for Deutsche Hypothekbank (Actien-Gesellschaft). The participation of Deutsche Hypothekbank (Actiengesellschaft) in the German banks' deposit protection fund was terminated on 31 December 2008. In accordance with § 6 no. 8 of the statute of the deposit protection fund, NORD/LB may still be liable for commitments previously entered into by Deutsche Hypothekbank (Actien-Gesellschaft).

With regard to NORD KB Dachfonds II Beteiligungsgesellschaft mbH, NORD/LB has an obligation to grant partnership loans totalling approximately € 1.8 million (€ 1.8 million).

NORD/LB also holds an interest with other limited partners in Immobilien Development und Beteiligungsgesellschaft Niedersachsen mbH IDB & Co. Objekt Zietenterrassen KG. One limited partner has indemnified the general partner from liability. Within this relationship, NORD/LB assumes 50% of the possible obligations from this declaration of liability.

In accordance with its legal form, NORD/LB is liable without limitation to the creditors of GLB GmbH & Co. OHG. All of the shareholders are either legal entities under public law (Landesbanks) or companies under private law in which the majority of the shareholding is held directly or indirectly by entities under public law. Following the sale and transfer of the direct holding and atypical silent participation in DekaBank in 2011, the Company no longer actively pursues any business activity. There are no significant material risks relating to the final accounting of accessible profit shares due from previous years following the final approval of DekaBank's tax assessments.

NORD/LB has, together with the other limited partner Braunschweig Grund Objektgesellschaft Driebergen mbH & Co. KG, indemnified the general partner from liability.

With regard to the inclusion of the shares in FinanzIT GmbH, the withdrawing partners NORD/LB, Bremer Landesbank and Landesbank Saar have committed, together with the remaining partners of FinanzIT, to bear the risks of the company from the time up to their withdrawal, provided they have actually occurred and are not already covered by provisions which have already been made.

As at year-end, payment obligations for shares and other interests amounted to € 6.7 million (€ 16.4 million).

Over the normal course of business NORD/LB has furnished collateral in the nominal amount of € 142.8 million (€ 106.8 million) in the form of securities.

NORD/LB uses synthetic securitisation transactions in order to reduce the charge on regulatory capital. Default risk is transferred to external third parties by way of the guarantee contracts "Northvest I", "Northvest II", "Hanseatic Flag" and "Hanseatic Key". In total, securitisation transactions reduced RWA by € 7.4 billion (€ 9.5 billion).

In the reporting year, guarantee premiums in the amount of € 131.9 million were recognised (€ 96.9 million). In the following year, fees in the amount of € 115.1 million (€ 142.1 million) are expected from financial guarantees. In subsequent years the fees will fall steadily. The residual terms for the securitisation transactions "Hanseatic Flag" and "Hanseatic Key" acquired from Bremer Landesbank stood at 8 and 9 years respectively. For "Northvest I", the residual term stood at 5 years. For "Northvest II", the residual term stood at 14 years.



NORD/LB concluded a framework contract with Wincor Nixdorf International GmbH, Paderborn to regulate the collaboration in the area of information technology. The contract, which bundles the IT infrastructure services with one service provider, went into effect on 1 July 2013 and is due to expire on 30 June 2020. The annual costs are volume-dependent; the total volume of the contract over the remaining term is approximately € 20.4 million (€ 33.9 million).

NORD/LB has obligations from long-term rental and lease agreements for land and buildings to 2044 in the nominal amount of € 340.2 million (€ 349.1 million), of which € 204.6 million (€ 232.0 million) is owed to affiliated companies.

Accordingly, NORD/LB recognised a total of € 658.8 million (€ 722.0 million) as Other financial obligations.

### III. Other disclosures

#### 1. Members of the Managing Board

Thomas S. Bürkle  
(Chairman)

Dr. Hinrich Holm  
(Deputy Chairman)

Christoph Dieng

Günter Tallner

Christoph Schulz

Ulrike Brouzi  
(until 30 April 2018)

## 2. Members of the Supervisory Board

(The current make up of the Members of the Supervisory Board can be viewed on NORD/LB's homepage at [www.nordlb.de/die-nordlb/investor-relations/gremien-und-organe/](http://www.nordlb.de/die-nordlb/investor-relations/gremien-und-organe/))

Reinhold Hilbers (Chairman) Finance Minister of Lower Saxony	Prof. Dr. Susanne Knorre Management consultant
Thomas Mang (First Deputy Chairman) President of Sparkassenverband Niedersachsen	Ulrich Mädge Mayor of the Hanseatic City of Lüneburg
André Schröder (Second Deputy Chairman) Finance Minister of Saxony-Anhalt	Ulrich Markurth Mayor of Braunschweig
Frank Berg Chairman of the Managing Board OstseeSparkasse Rostock	Ludwig Momann Chairman of the Managing Board Sparkasse Emsland
Norbert Dierkes Chairman of the Managing Board Sparkasse Jerichower Land (until 31 August 2018)	Antje Niewisch-Lennartz former Justice Minister of Lower Saxony (until 25 March 2018)
Frank Doods State Secretary Lower Saxony Ministry for Environment, Energy, Construction and Climate Protection (since 26 March 2018)	Frank Oppermann Bank employee NORD/LB Hanover
Edda Döpke Bank employee NORD/LB Hanover	Freddy Pedersen Trade union secretary ver.di Trade Union
Dr. Elke Eller HR and Labour Director TUI AG (until 25 March 2018)	Jörg Reinbrecht Trade union secretary ver.di Trade Union
Dr Jürgen Fox, Chairman of the Managing Board of Saalesparkasse (since 1 September 2018)	Stefanie Rieke Bank employee NORD/LB Magdeburg
Astrid Hamker Management consultant (since 26 March 2018)	Felix von Nathusius Businessman
Frank Hildebrandt Bank employee NORD/LB Braunschweig	

### 3. Disclosures concerning mandates

As at 31 December 2018 the following mandates were held in accordance with § 340a para. 4 no. 1 of the German Commercial Code (HGB) by members of NORD/LB:

Name	Society <sup>1)</sup>
Thomas Bürkle	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel
Dr. Hinrich Holm	NORD/LB Asset Management, Hanover Investitionsbank Sachsen-Anhalt, Magdeburg LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover BÖAG Börsen AG caplantic GmbH, Hanover ÖSA - Öffentliche Lebensversicherung Sachsen-Anhalt AöR ÖSA - Öffentliche Feuerversicherung Sachsen-Anhalt AöR
Christoph Dieng	Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover Norddeutsche Landesbank Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel
Christoph Schulz	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Berlin and Hanover Toto-Lotto Niedersachsen GmbH, Hanover ÖVB - Öffentliche Lebensversicherung Braunschweig AöR ÖVB - Öffentliche Sachversicherung Braunschweig AöR ÖSA - Öffentliche Lebensversicherung Sachsen-Anhalt AöR ÖSA - Öffentliche Feuerversicherung Sachsen-Anhalt AöR
Günter Tallner	Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover Norddeutsche Landesbank Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel

<sup>1)</sup> Banks are treated as large corporations.

Name	Society <sup>1)</sup>
Gudrun Clausen	Sparkasse Hannover, Hanover
Dr. Rüdiger Fuhrmann	Niedersächsische Landgesellschaft mbH, Hanover
Frank Herzberg	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg
Mike Kattner	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg
Christoph Kerber	Niedersächsische Bürgschaftsbank (NBB) GmbH, Hanover
Dr. Ulf Meier	Norddeutsche Landesbank Luxembourg S.A.Covered Bond Bank, Luxembourg-Findel (until 31 August 2018) Toto-Lotto Niedersachsen GmbH, Hanover (until 30 September 2018) LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover (until 31. August 2018)
Thomas Meyer-Vierow	Bürgschaftsbank Bremen GmbH, Bremen (until 31 Januar 2018)
Thomas Mühlenkamp	Toto-Lotto Niedersachsen GmbH, Hanover (since 1 Oktober 2018) LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover (since 1 September 2018)
Werner Schilli	ÖVB - Öffentliche Sachversicherung Braunschweig, Braunschweig ÖVB - Öffentliche Lebensversicherung Braunschweig, Braunschweig
Marc Schwamm bach	Öffentliche Versicherung Bremen GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg
Dr. Michael Schwalba	caplantic GmbH, Hanover
Axel Seidenschwarz	GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg (since 16 May 2018)
Christian Veit	Öffentliche Versicherung Bremen, Bremen LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover (since 1 September 2018)
Olaf-Alexander Wiedemann	caplantic GmbH, Hanover
Thomas Wreesmann	GSG OLDENBURG Bau- und Wohngesellschaft mbH, Oldenburg
Ingo Wünsche	Niedersächsische Bürgschaftsbank (NBB) GmbH, Hanover
Berit Zimmermann	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg
Jörn Zimmermann	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin

<sup>1)</sup> Banks are treated as large corporations

**4. Remuneration of and loans to governing bodies**

(in € 000)	31 Dec.2018	31 Dec.2017
<b>Total remuneration of current board members</b>		
Managing Board	3 461	5 417
Supervisory Board	377	457
	<b>3 838</b>	<b>5 874</b>
<b>Total remuneration of former board members and their surviving dependents</b>		
Managing Board	6 062	7 172
<b>Advances and loans granted</b>		
Managing Board	285	245
Supervisory Board	45	60
<b>Advances and loans repaid in the reporting year</b>		
Managing Board	49	120
Supervisory Board	13	37
<b>Advances and loans laid down in the reporting year</b>		
Managing Board	–	–
Supervisory Board	–	–

NORD/LB's pension obligations for former members of executive bodies and their surviving dependants consist of direct pension commitments of NORD/LB and indirect pension liabilities. Provisions of € 43.6 million (€ 33.8 million) were established for direct pension liabilities. The remaining amount allocated to the provision pursuant to Art. 67 para. 2 of the Introductory Act on the German Commercial Code (EGHGB), German Accounting Law Modernisation Act (BilMoG) was fully used as at 31 December 2018 (2017: € 0.6 million). The indirect pension liabilities in accordance with Article 28 para. 2 of the Introductory Act on the German Commercial Code (EGHGB) amounted to € 52.8 million (€ 56.8 million).

**5. Auditor's fees**

In accordance with § 285 no.17 of the German Commercial Code, NORD/LB has exercised the option of reporting the auditor's fees in the consolidated financial statements.

In addition to the audit of the consolidated financial statements, the annual financial statements of Norddeutsche Landesbank – Girozentrale - as well as various audits of subsidiaries, including statutory contract expansions and key audit points agreed upon with the Supervisory Board, the auditor KPMG AG Wirtschaftsprüfungsgesellschaft provided the following significant, permitted services in the financial year 2018:

- Voluntary annual audits, reviews of annual reports and quarterly reports, audits in accordance with IDW PS 480 and 490 of the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany)
- Project quality assurance with a direct link to the audit. This includes projects related to IT Compliance and the merger of the provident funds.
- Assurance services based on statutory or contractual obligations. Among other things, this includes assurance services for savings bank organisations, assurance services as per the German Law on Integrated Financial Services Supervision (FinDAG) and assurance services as per § 36 of the German Securities Trading Act (WpHG)
- Assurance services related to the issue of comfort letters
- Quality assurance services in connection with the creation of the winding-up plan

## 6. Key events after the reporting date

Reference is made to the explanations provided under “I. Information on accounting policies and currency translation principles” in the section “Assumption of going concern”.

## 7. Average number of employees

	Male 2018	Female 2018	Total 2018	Male 2017	Female 2017	Total 2017
Employees	2 510	2 501	5 011	2 585	2 535	5 120

Investitionsbank Sachsen-Anhalt and Landesförderinstitut Mecklenburg-Vorpommern account for an additional 626 employees (614).

## 8. Further Disclosures

### *Services performed for third parties*

Material services performed for third parties relate to:

- the management of trust assets
- the management of custodian accounts
- the brokering of building loan contracts, investment products, loans and insurance
- the brokering of foreign notes and coins and precious metals for associated savings banks
- asset management
- the brokering of loans and investment products.

*Omitted depreciation to lower fair value*

The items “Debt securities and other fixed-interest securities” and “Shares and other non-fixed-interest securities” include securities valued like fixed assets which have not been written down to their lower fair value. These concern the following securities (disclosures on carrying amounts and fair values do not include accumulated interest):

	Book values	Fair values	omitted depreciation	Book values	Fair values	omitted depreciation
(in € 000)	2018	2018	2018	2017	2017	2017
Bonds and debt securities	926 048	907 989	18 059	1 026 119	1 001 950	24 170
Shares	3 966	3 828	137	–	–	–

NORD/LB assumes with all bonds and debt securities that the loss of value is not permanent as the instruments are held to final maturity and the issuers are all issuers with first-class credit ratings. If as at the reporting date there are valuation units consisting of interest-bearing securities and interest-rate swaps, the net fair value of the security and interest-rate swap are entered in the above table as the fair value of the security.

The shares are intended to be held long term. Write-downs are only made if the loss in value is likely to be permanent. There was no reason for a write-down to lower fair value as at the reporting date.

The following securities in fixed assets include hidden reserves, i.e. the fair value is higher than the carrying amount (disclosures on carrying values and fair values do not include accumulated interest):

	Book values	Fair values	Book values	Fair values
(in € 000)	2018	2018	2017	2017
Bonds and debt securities	927 116	1 010 345	1 268 080	1 367 062
Shares	903	921	4 130	4 224

*Marketable securities not valued at lower of cost or market*

The items “Debt securities and other fixed-interest securities” and “Shares and other non-fixed-interest securities” include marketable securities not valued at lower of cost or market, i.e. they are treated as fixed assets (carrying values do not include accumulated interest):

(in € 000)	2018	2017
Debt securities and other fixed-interest securities	1 904 859	2 411 692
Shares and other non fixed-interest securities	–	–

The marketable securities not valued at lower of cost or market were separated from the marketable securities valued at lower of cost or market on the basis of the asset category in the portfolio and the valuation method chosen.

The tables below also include the disclosures in accordance with § 36 of the German Accounting Regulation for Credit and Financial Services Institutions (RechKredV) concerning the foreign currency, interest-based and other futures transactions which have not yet been settled as at the reporting date.

*Derivatives not measured at fair value in external relationships (derivatives in the non-trading portfolio)*

	Nominal values	Positive fair values	Negative fair values	Book values	Recorded in balance sheet item
(in € million)	2018	2018	2018	2018	2018
<b>Interest-rate risks</b>					
Interest-rate swaps	2 842	728	- 66	134	Assets 15./ Liabilities 6.
FRAs	-	-	-	-	-
Interest-rate options					
purchases	6 021	707	- 0	582	Assets 14.
sales	637	0	- 386	- 170	Liabilities 5.
Caps, Floors	3 227	26	- 58	- 25	Assets 15./ Liabilities 6.
Stock-exchange contracts	-	-	-	-	-
Other forward interest rate transactions	126	0	- 7	-	-
<b>Interest-rate risks – total –</b>	<b>12 853</b>	<b>1 461</b>	<b>- 517</b>	<b>521</b>	
<b>Currency risks</b>					
Forward foreign exchange transactions	493	2	- 3	2	Assets 14./ Liabilities 5.
Currency swaps / interest-rate currency swaps	-	-	-	-	Assets 14./ Liabilities 5.
Currency options					
purchases	-	-	-	-	-
sales	-	-	-	-	-
<b>Currency risks – total –</b>	<b>493</b>	<b>2</b>	<b>- 3</b>	<b>2</b>	
<b>Shares and other price risks</b>					
Share futures contracts	-	-	-	-	-
Share swaps	-	-	-	-	-
Share options					
purchases	-	-	-	-	-
sales	-	-	-	-	-
Stock-exchange contracts	-	-	-	-	-
<b>Shares and other price risks – total –</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Credit derivatives</b>					
Assignor	12	0	- 0	0	Assets 15./ Liabilities 6.
Assignee	3 341	62	- 7	53	Assets 15./ Liabilities 6.
<b>Credit derivatives – total –</b>	<b>3 353</b>	<b>62</b>	<b>- 7</b>	<b>53</b>	
<b>Derivatives not valued at fair value – total –</b>	<b>16 700</b>	<b>1 524</b>	<b>- 527</b>	<b>576</b>	

The derivatives primarily relate to transactions which were concluded to cover interest-rate, exchange-rate and other market-price risk positions in the non-trading portfolio.

The nominal values represent the gross volume of all purchases and sales and long and short positions. To calculate the nominal value of the share options, the closing rate of the underlying transaction is multiplied by the number of shares. Fair values and carrying amounts excluding accrued interest are shown for all contracts. Positive and negative fair values of contracts with the same counterparty were not offset against each other.

All of the fair values included in the above table were reliably calculated. With regard to the valuation methods used, reference is made to the section “Establishing fair values”.



Derivatives measured at fair value in external relationships (derivatives in the trading portfolio)

Derivatives measured at fair value – broken down by risk type and transaction type:

(in € million)	Nominal values
	2018
<b>Interest-rate risks</b>	
Interest-rate swaps	247 337
FRAs	3 750
Interest-rate options	
purchases	3 888
sales	7 774
Caps, Floors	9 034
Stock-exchange contracts	188
Other forward interest-rate transactions	979
<b>Interest-rate risks – total –</b>	<b>272 950</b>
<b>Currency risks</b>	
Forward foreign exchange transactions	13 428
Currency swaps / interest-rate currency swaps	22 235
Currency options	
purchases	95
sales	103
<b>Currency risks – total –</b>	<b>35 860</b>
<b>Shares and other price risks</b>	
Share futures contracts	–
Share swaps	–
Share options	
purchases	–
sales	–
Stock-exchange contracts	38
<b>Shares and other price risks – total –</b>	<b>38</b>
<b>Credit derivatives – total –</b>	
Assignor	–
Assignee	–
<b>Credit derivatives – total –</b>	<b>–</b>
<b>Derivatives valued at fair value – total –</b>	<b>308 848</b>

The nominal values represent the gross volume of all purchases and sales and long and short positions. To calculate the nominal value of the share options, the closing rate of the underlying transaction is multiplied by the number of shares.

The amount, dates and reliability of future cash flows relating to derivatives are uncertain. The main factors which affect this are the future development of interest rates, exchange rates and share prices. Counterparty risk also exists. The tables below provide an overview of the volumes affected by these factors.

Derivatives measured at fair value – broken down by risk type and residual term to maturity:

(in € million)	Nominal values 2018
<b>Interest-rate risks</b>	
Residual terms to maturity	
up to 3 months	15 506
up to 1 year	19 187
up to 5 years	82 631
more than 5 years	155 626
	<b>272 950</b>
<b>Currency risks</b>	
Residual terms to maturity	
up to 3 months	9 763
up to 1 year	5 998
up to 5 years	9 708
more than 5 years	10 391
	<b>35 860</b>
<b>Shares and other price risks</b>	
Residual terms to maturity	
up to 3 months	10
up to 1 year	20
up to 5 years	6
more than 5 years	2
	<b>38</b>
<b>Credit derivatives</b>	
Residual terms to maturity	
up to 3 months	–
up to 1 year	–
up to 5 years	–
more than 5 years	–
	–
<b>Derivatives valued at fair value – total -</b>	<b>308 848</b>

Derivatives measured at fair value – broken down by counterparty:

(in € million)	Nominal values 2018
Banks in the OECD	86 197
Banks outside the OECD	5
Public institutions in the OECD	6 845
Other counterparties <sup>1)</sup>	215 801
<b>Total</b>	<b>308 848</b>

<sup>1)</sup> Including stock exchange contracts

### Disclosures concerning valuation units

NORD/LB has included the following assets, liabilities and pending transactions as underlying transactions in valuation units (assets and liabilities disclosed at the carrying amount not including accumulated interest; pending transactions disclosed in nominal volume):

(in € 000)	2018			
	Underlying transaction hedged against			
	Interest-rate risk	Share-price risk	Inflation risk	Currency risk
<b>Assets</b>				
Fixed-interest securities for the liquidity reserve	1 192 854	–	–	–
<b>Assets – total</b>	<b>1 192 854</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Pending transactions</b>				
Derivatives separated from structured issues				
share-price-related derivatives	–	197 418	–	–
exchange-rate-related derivatives	–	–	–	79 321
Other	–	–	104 798	–
<b>Pending transactions – total</b>	<b>–</b>	<b>197 418</b>	<b>104 798</b>	<b>79 321</b>
<b>Valuation units – total</b>	<b>1 192 854</b>	<b>197 418</b>	<b>104 798</b>	<b>79 321</b>

The total of all underlying transactions included in valuation units is therefore €1 574.4 million (€1 559.9 million).

The prospective and retrospective effectiveness of all valuation units is measured using the Critical Terms Match method. The changes in value resulting from the hedged risk for the corresponding underlying and hedging investments balance due to identical business parameters. In general, the final maturity of the underlying transactions corresponds to the final maturity of the hedging instruments. The underlying transactions will mature between 2019 and 2044.

### Deferred taxes

The deferred taxes of NORD/LB in Germany are measured using the tax rate of 32.0 %, which is applicable as at the reporting date as well as in the future (32.0 %). This combined income tax rate comprises corporation tax, trade tax and the solidarity surcharge. Different tax rates apply to the foreign branches.

Deferred tax liabilities arising from the different tax approach used for intangible assets, property and equipment and the trading portfolio were netted against deferred tax assets on temporary differences in loans and advances to customers, pension provisions and other provisions.

The recoverable deferred tax assets were offset against deferred tax liabilities. Deferred tax assets exceeding those offset are not capitalised in accordance with the option provided for in § 274 para. 1 sentence 2 of the German Commercial Code.

#### Distribution blocked amounts

After the deduction of deferred tax liabilities, capitalised internally generated intangible assets in the amount of € 27.5 million remain (€ 27.6 million). The difference between the recognition of the provisions in accordance with the average market interest rate from the past ten fiscal years and the recognition of the provisions in accordance with the average market interest rate from the past seven years for the provisions for pension obligations was € 73.3 million (€ 61.4 million). The restriction on distributions for such amounts stipulated by § 253 para. 6 sentence 2 and § 268 para. 8 sentence 1 of the German Commercial Code (HGB) cannot be applied for the 2018 reporting year due to the negative annual result.

#### *Repurchase transactions (repos)*

Repos are reported in accordance with § 340b of the German Commercial Code. Only genuine repos are executed.

Securities with a carrying amount totalling €6 021.0 million (€6 078.6 million) were committed by NORD/LB within the scope of genuine repos. The counterparty risk is manageable.

*Special investment assets*

Name of the special asset	NORD/LB RAIF-AVIAT.1 ADLD	NORD/LB Horizont Fonds-TF B	NORD/LB RAIF-AVIAT.1 ADLD	Nordlux Pro-Aktiv-B
Former	-	-	-	-
Type of special asset	AIF <sup>1)</sup>	AIF <sup>1)</sup>	RAIF <sup>2)</sup>	OGAW <sup>3)</sup>
Investment objective	The fund is part of the ALCO-portfolio and thus part of the strategic investments.	The fund is for conservative investors sensitive to inflation. NORD/LB holds a strategic share in order to have a positive argument for customers in selling.	NORD/LB assets are contributed to these funds with the aim of transferring assets to sub-funds of investors at a later date.	The fund follows the principle of asset management, is actively managed and invests in international capital market products or currencies. NORD/LB holds a strategic share within the framework of the existing contractual agreements..
Reporting date	31 Dec.2018	31 Dec.2018	31 Dec.2018	31 Dec.2018
Special assets (in € 000)	1 253 426	22 298	18 122	19 338
Shares – total	12 056 750	240 272	207 500	215 072
Currency of shares	EUR	EUR	USD	EUR
Shares of NORD/LB as at the reporting date	12 056 750	101 720	207 500	151 256
Values of the shares according to §26 of the German Investment Act (InvG) as at reporting date	103.96	92.8	100	89.91
Carrying amount (in € 000)	1 240 733	9 429	18 122	13 660
Difference between fair value and carrying amount (in € 000)	12 692	11	-	- 60
Dividends paid out in the final year acc. to shares of NORD/LB (gross in € 000)	-	-	-	-
Reporting year of NORD/LB	1 Jan. - 31 Dec.	1 Jan. - 31 Dec.	1 Jan. - 31 Dec.	1 Jan. - 31 Dec.
Reporting year of the special asset	1 Jan. - 31 Dec.	1 Oct. - 30 Sep.	1 Jan. - 31 Dec.	1 Oct. - 30 Sep.
Restrictions in the possibility of daily return	None	None	None	None
Reasons for no write-down § 253 para. 3 clause 4 of the German Commercial Code	-	-	-	-
Pointers for the loss of value not being permanent	-	-	-	-

<sup>1)</sup> Alternative investment funds<sup>2)</sup> Reserved alternative investment funds<sup>3)</sup> Collective Investment Undertakings (CIU) in securities

## 9. Cover statement

(in € million)	Mortgage Pfandbriefs	Public-Sector Pfandbriefs	Ship Pfandbriefs	Aircraft Pfandbriefs	Old portfolio / issues before 19 July 2005
<b>Liabilities requiring cover</b>					
bearer bond	2 486.3	6 860.5	-	500.0	-
	(1 530.3)	(8 167.5)	(50.0)	(500.0)	(-)
registered bond	1 388.5	8 402.0	43.1	5.0	802.5
	(1 580.5)	(8 504.5)	(46.1)	(5.0)	(900.3)
	<b>3 874.8</b>	<b>15 262.6</b>	<b>43.1</b>	<b>505.0</b>	<b>802.5</b>
	<b>(3 110.8)</b>	<b>(16 672.0)</b>	<b>(96.1)</b>	<b>(505.0)</b>	<b>(900.3)</b>
<b>Covering assets</b>					
Claims on banks	25.0	888.4	-	60.0	-
	(-)	(508.2)	(-)	(-)	(-)
Claims on customers	5 410.0	15 760.2	103.3	1 131.6	967.5
	(5 144.1)	(16 357.1)	(301.0)	(891.2)	(1 231.8)
Public issuer securities	355.0	515.0	3.0	12.5	30.0
	(20.0)	(1 140.5)	(20.0)	(-)	(-)
	<b>5 790.0</b>	<b>17 163.7</b>	<b>106.3</b>	<b>1 204.1</b>	<b>997.5</b>
	<b>(5 164.1)</b>	<b>(18 005.8)</b>	<b>(321.0)</b>	<b>(891.2)</b>	<b>(1 231.8)</b>
<b>Surplus cover</b>	1 915.2	1 901.1	63.2	699.1	195.0
<b>total</b>	<b>(2 053.3)</b>	<b>(1 333.8)</b>	<b>(224.9)</b>	<b>(386.2)</b>	<b>(331.5)</b>

This previous portfolio (cover and in circulation) was maintained separately in accordance with § 51 of the Covered Bond Act (PfandBG) and are maintained separately from the new cover register in accordance with the regulations applicable until the Covered Bond Act came into effect.

### 10. Cover statement for NORD/LB in accordance with § 28 of the Covered Bond Act

The total value of **Mortgage Pfandbriefs** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values <sup>1)</sup> + 250 bp	Risk-adjusted present values <sup>1)</sup> - 250 bp	Risk-adjusted present values <sup>1)</sup> Currency stress
<b>Mortgage Pfandbriefs</b>					
Total Pfandbriefe	3 874.8	3 958.9	3 630.2	4 437.2	3 630.2
in circulation	(3 110.8)	(3 186.7)	(3 045.0)	(3 218.7)	(3 045.0)
Total cover pool	5 790.0	6 260.9	5 822.8	6 848.4	5 822.6
	(5 164.1)	(5 609.7)	(5 194.8)	(5 683.2)	(5 194.6)
Over-collateralisation	1 915.2	2 302.0	2 192.6	2 411.2	2 192.5
	(2 053.3)	(2 422.9)	(2 149.8)	(2 464.5)	(2 149.7)
Over-collateralisation in %	49.4	58.1	60.4	54.3	60.4
	(66.0)	(76.0)	(70.6)	(76.6)	(70.6)
<b>Net present value per foreign currency item</b>					
USD	-	-	-	-	0.8
	(-)	(-)	(-)	(-)	(0.8)

<sup>1)</sup> Static approach in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Mortgage Pfandbriefs in accordance with § 28 para. 1 no. 4, 5 and 6:

(in € million)	Balancing receivables in accordance with § 19 (1) no. 1 PfandBG	Loans and advances to banks in accordance with § 19 (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 19 (1) no. 2 PfandBG of which: covered debt securities <sup>1)</sup>	Loans and advances to the public sector in accordance with § 19 (1) no. 3 PfandBG	Total
Germany	-	25.0	-	730.0	755.0
	(-)	(-)	(-)	(95.0)	(95.0)

<sup>1)</sup> in accordance with Article 129 of Regulation (EU) no. 575/2013

Key figures for Mortgage Pfandbriefs and their cover assets:

(in € million)	2018	2017
<b>Pfandbriefs in circulation</b>	<b>3 874.8</b>	<b>3 110.8</b>
Share of fixed-interest Pfandbriefe in %	49.37	31.29
Share of derivatives	-	-
<b>Cover pool</b>	<b>5 790.0</b>	<b>5 164.1</b>
Share of fixed-interest cover assets in %	75.03	77.39
Share of derivatives	-	-
Total value of receivables that exceed the limits of § 13 para. 1	-	-
Total value of receivables that exceed the limits of § 19 para. 1 no. 2	-	-
Total value of receivables that exceed the limits of § 19 para. 1 no. 3	-	-
Volume-weighted average of the time passed since loan issue in years	7.2	7.1
Average weighted loan-to-value ratio in %	max. 60.0	max. 60.0

## Maturity structure of Mortgage Pfandbriefs and fixed-interest periods of cover assets:

(in € million)	Pfandbriefe in circulation	Cover pool	Pfandbriefe in circulation	Cover pool
	2018	2018	2017	2017
Less than 6 months	517.7	428.4	52.0	656.7
More than 6 but less than 12 months	596.1	698.7	121.8	266.6
More than 12 but less than 18 months	10.0	237.8	1 022.0	333.7
More than 18 months but less than 2 years	556.0	310.9	136.0	261.9
More than 2 but less than 3 years	171.8	638.1	682.0	555.5
More than 3 but less than 4 years	165.0	535.7	209.3	516.5
More than 4 but less than 5 years	455.1	674.3	103.5	498.0
More than 5 but less than 10 years	1 246.0	2 005.7	662.1	1 822.9
More than 10 years	157.1	260.4	122.1	252.3
<b>Key figures total</b>	<b>3 874.8</b>	<b>5 790.0</b>	<b>3 110.8</b>	<b>5 164.1</b>

## Breakdown of cover assets for Mortgage Pfandbriefs by size category:

(in € million)	2018	2017
Less than € 300 thousand	1 308.7	1 354.9
More than € 300 thousand but less than € 1 million	553.0	559.9
More than € 1 million but less than € 10 million	2 006.1	2 015.7
More than € 10 million	1 167.2	1 138.6
<b>Total</b>	<b>5 035.0</b>	<b>5 069.1</b>

## Breakdown of cover assets for Mortgage Pfandbriefs by country and type of use (residential):

(in € million)	Property used for residential purposes					Total
	Owner-occupied apartments	Single and twofamily houses	Apartment buildings	Unfinished new buildings not yet capable of yielding a return	Construction sites	
Germany	237.6 (243.5)	854.1 (875.6)	2 401.7 (2368.0)	- (-)	1.3 (0.8)	3 494.7 (3488.0)

## Breakdown of cover assets for Mortgage Pfandbriefs by country and type of use (commercial):

(in € million)	Property used for commercial purposes						Total
	Office Buildings	Retail buildings	Industrial building	Other buildings used for commercial purposes	Unfin- ished new buildings not yet capable of yielding a return	Construc- tion sites	
Germany	359.5 (368.5)	341.3 (353.9)	103.0 (71.9)	661.1 (681.8)	- (-)	0.5 (0.5)	1 465.3 (1476.5)
Luxemburg	75.0 (104.6)	- (-)	- (-)	- (-)	- (-)	- (-)	75.0 (104.6)
<b>Total</b>	<b>434.5</b> <b>(473.1)</b>	<b>341.3</b> <b>(353.9)</b>	<b>103.0</b> <b>(71.9)</b>	<b>661.1</b> <b>(681.8)</b>	<b>-</b> <b>(-)</b>	<b>0.5</b> <b>(0.5)</b>	<b>1 540.3</b> <b>(1 581.1)</b>



Breakdown by country of the total amount of Mortgage Pfandbriefs cover payments outstanding by at least 90 days:

	Total value of payments outstanding by at least 90 days <sup>1)</sup>	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable	Total value of payments outstanding by at least 90 days <sup>1)</sup>	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
(in € million)	2018	2018	2017	2017
Germany	0.1	0.9	0.0	0.0

<sup>1)</sup> The above outstanding payments are not included in the reported cover pool.

There were no cases of forced sale, forced receivership or takeovers of land to prevent losses. The total arrears on interest to be paid by mortgage debtors was € 74 thousand (€ 15 thousand) for commercial property and € 81 thousand (€ 57 thousand) for residential property.

The total value of **Public-Sector Pfandbriefs** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values <sup>1)</sup> + 250 bp	Risk-adjusted present values <sup>1)</sup> - 250 bp	Risk-adjusted present values <sup>1)</sup> Currency stress
<b>Public-Sector Pfandbriefs</b>					
Total Pfandbriefe	15 262.6	17 520.7	15 299.4	20 564.2	15 521.2
in circulation	(16 672.0)	(19 007.6)	(16 610.1)	(19 936.4)	(16 822.9)
Total cover pool	17 163.7	19 457.9	17 046.6	22 879.5	17 109.8
	(18 005.8)	(20 380.4)	(17 869.8)	(21 425.4)	(17 949.9)
<b>Over-collateralisation</b>	<b>1 901.1</b>	<b>1 937.1</b>	<b>1 747.2</b>	<b>2 315.3</b>	<b>1 588.6</b>
	(1 333.8)	(1 372.8)	(1 259.7)	(1 489.1)	(1 127.0)
Over-collateralisation in %	12.5	11.1	11.4	11.3	10.2
	(8.0)	(7.2)	(7.6)	(7.5)	(6.7)
<b>Net present value per foreign currency item</b>					
GBP	-	-	-	-	16.7
	(-)	(-)	(-)	(-)	(-)
JPY	-	-	-	-	0.5
	(-)	(-)	(-)	(-)	(-)
USD	-	-	-	-	- 627.9
	(-)	(-)	(-)	(-)	(- 536.4)

<sup>1)</sup> Static approach in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Public-Sector Pfandbriefs in accordance with § 28 para. 1 no. 4 and 5:

(in € million)	Balancing receivables in accordance with § 20 (2) no. 1 PfandBG	Loans and advances to banks in accordance with § 20 (2) no. 2 PfandBG	Loans and advances to banks in accordance with § 20 (2) no. 2 PfandBG of which: covered debt securities <sup>1)</sup>	Total
Germany	-	888.4	185.0	888.4
	(-)	(508.2)	(185.0)	(508.2)

<sup>1)</sup> in accordance with Article 129 of Regulation (EU) no. 575/2013

## Key figures for Public-Sector Pfandbriefs and their cover assets:

(in € million)	2018	2017
<b>Pfandbriefs in circulation</b>	<b>15 262.6</b>	<b>16 672.0</b>
Share of fixed-interest Pfandbriefe in %	95.07	93.95
Share of derivatives	-	-
<b>Cover pool</b>	<b>17 163.7</b>	<b>18 005.8</b>
Share of fixed-interest cover assets in %	87.64	86.34
Share of derivatives	-	-
Total value of receivables that exceed the limits of § 20 para. 2 no. 2	-	-

## Maturity structure of Public-Sector Pfandbriefs and fixed-interest periods of cover assets:

(in € million)	Pfandbriefs in circulation	Cover pool	Pfandbriefs in circulation	Cover pool
	2018	2018	2017	2017
Less than 6 months	2 326.3	1 368.4	637.0	1 055.9
More than 6 but less than 12 months	402.8	950.9	1 098.5	1 130.7
More than 12 but less than 18 months	803.0	857.7	2 605.0	911.2
More than 18 months but less than 2 years	424.8	666.0	872.5	933.6
More than 2 but less than 3 years	1 564.8	1 339.4	777.2	1 619.0
More than 3 but less than 4 years	420.6	1 387.6	1 416.1	1 185.3
More than 4 but less than 5 years	709.4	1 255.1	473.3	1 374.7
More than 5 but less than 10 years	4 578.1	5 379.9	4 690.6	5 322.5
More than 10 years	4 032.9	3 958.7	4 101.7	4 472.9
<b>Key figures total</b>	<b>15 262.6</b>	<b>17 163.7</b>	<b>16 672.0</b>	<b>18 005.8</b>

## Breakdown of cover assets for Public-Sector Pfandbriefs by size category:

(in € million)	2018	2017
Less than € 10 million	3 016.9	2 941.6
More than € 10 million but less than € 100 million	6 052.2	6 335.2
More than € 100 million	7 206.1	8 220.8
<b>Total</b>	<b>16 275.2</b>	<b>17 497.6</b>

## Breakdown of cover assets without guarantee for Public-Sector Pfandbriefs by country and type of debtor (including statutory over-collateralisation in accordance with § 4 (1) PfandBG):

(in € million)	Country	Regional authority	Local authority	Other debtors	Total
Germany	45.0	3 231.2	6 275.0	3 732.9	13 284.0
	(125.0)	(3 527.7)	(6 160.3)	(4 493.1)	(14 306.1)
Belgium	-	-	-	-	-
	(-)	(-)	(-)	(30.0)	(30.0)
Finland	-	-	-	5.0	5.0
	(-)	(-)	(-)	(5.0)	(5.0)
France	-	-	-	-	-
	(-)	(-)	(-)	(52.1)	(52.1)
Latvia	-	-	28.7	-	28.7
	(-)	(-)	(31.8)	(-)	(31.8)
Luxembourg	-	-	-	10.0	10.0
	(-)	(-)	(-)	(35.0)	(35.0)
<b>Total</b>	<b>45.0</b>	<b>3 231.2</b>	<b>6 303.7</b>	<b>3 747.9</b>	<b>13 327.7</b>
	<b>(125.0)</b>	<b>(3 527.7)</b>	<b>(6 192.1)</b>	<b>(4 615.2)</b>	<b>(14 460.0)</b>

Breakdown of cover assets with guarantee for Public-Sector Pfandbriefs by country and type of guarantor (including statutory over-collateralisation in accordance with § 4 (1) PfandBG):

(in € million)	Country	Regional authority	Local authority	Other debtors	Total	of which: by ECA guarantees
Germany	555.0 (626.4)	459.4 (547.5)	678.7 (686.0)	216.8 (253.4)	1 909.9 (2 113.2)	487.0 (557.9)
Belgium	- (-)	- (-)	- (-)	88.5 (30.2)	88.5 (30.2)	88.5 (30.2)
Denmark	- (-)	- (-)	- (-)	62.2 (66.0)	62.2 (66.0)	62.2 (66.0)
Finland	- (-)	- (-)	- (-)	19.9 (27.5)	19.9 (27.5)	19.9 (27.5)
France	317.9 (158.9)	- (-)	- (-)	- (-)	317.9 (158.9)	53.8 (19.8)
Great Britain	25.7 (32.2)	- (-)	- (-)	- (-)	25.7 (32.2)	25.7 (32.2)
Canada	11.9 (20.1)	- (-)	- (-)	- (-)	11.9 (20.1)	- (-)
Netherland	42.7 (46.9)	- (-)	- (-)	- (-)	42.7 (46.9)	42.7 (46.9)
Austria	29.2 (38.7)	- (-)	- (-)	- (-)	29.2 (38.7)	29.2 (38.7)
Switzerland	- (-)	- (-)	- (-)	11.7 (6.0)	11.7 (6.0)	11.7 (6.0)
USA	317.0 (374.5)	- (-)	- (-)	111.0 (123.4)	428.0 (498.0)	317.0 (374.5)
<b>Total</b>	<b>1 299.4</b> <b>(1 297.8)</b>	<b>459.4</b> <b>(547.5)</b>	<b>678.7</b> <b>(686.0)</b>	<b>510.1</b> <b>(506.4)</b>	<b>2 947.5</b> <b>(3 037.6)</b>	<b>1 137.6</b> <b>(1 199.7)</b>

Breakdown by country of the total amount of Public-Sector Pfandbriefs cover payments outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days <sup>1)</sup>					of which: by ECA guarantees
	Country	Regional authority	Local authority	Other debtors		
Germany	1.0 (-)	0.1 (-)	- (-)	- (-)	- (-)	1.0 (-)

<sup>1)</sup> The above outstanding payments are not included in the reported cover pool.

(in € million)	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable				
	Country	Regional authority	Local authority	Other debtors	of which: by ECA guarantees
Germany	8.8 (-)	- (-)	- (-)	- (-)	8.8 (-)

The total value of **Ship Pfandbriefs** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values <sup>1)</sup> + 250 bp	Risk-adjusted present values <sup>1)</sup> - 250 bp	Risk-adjusted present values <sup>1)</sup> Currency stress
<b>Schiffspfandbriefe</b>					
Total Pfandbriefe in circulation	43.1 (96.1)	47.1 (101.5)	45.0 (97.9)	50.0 (101.5)	50.0 (97.9)
Total cover pool	106.3 (321.0)	112.4 (348.2)	110.9 (344.3)	114.1 (350.2)	97.8 (294.4)
<b>Over-collateralisation</b>	<b>63.2</b> (224.9)	<b>65.2</b> (246.7)	<b>65.9</b> (246.5)	<b>64.0</b> (248.7)	<b>47.8</b> (196.6)
Over-collateralisation in %	146.6 (234.1)	138.3 (243.1)	146.4 (251.9)	128.1 (245.0)	95.5 (200.9)
<b>Net present value per foreign currency item</b>					
USD	- (-)	- (-)	- (-)	- (-)	96.9 (299.4)

<sup>1)</sup> Static approach in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Ship Pfandbriefs in accordance with § 28 para. 1 no. 4, 5 and 6:

(in € million)	Balancing receivables in accordance with § 26 (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 26 (1) no. 3 PfandBG	Loans and advances to banks in accordance with § 26 (1) no. 3 PfandBG of which: covered debt securities <sup>1)</sup>	Loans and advances to the public sector in accordance with § 26 (1) no. 4 PfandBG	Total
Germany	- (-)	- (-)	- (-)	3.0 (26.0)	3.0 (26.0)

<sup>1)</sup> in accordance with Article 129 of Regulation (EU) no. 575/2013

Key figures for Ship Pfandbriefs and their cover assets:

(in € million)	2018	2017
<b>Pfandbriefs in circulation</b>	<b>43.1</b>	<b>96.1</b>
Share of fixed-interest Pfandbriefe in %	76.80	58.38
Share of derivatives	0.0	0.0
<b>Cover pool</b>	<b>106.3</b>	<b>321.0</b>
Share of fixed-interest cover assets in %	8.19	3.74
Share of derivatives	0.0	0.0
Total value of receivables that exceed the limits of § 26 para. 1 no. 3	0.0	0.0
Total value of receivables that exceed the limits of § 26 para. 1 no. 4	0.0	0.0

## Maturity structure of Ship Pfandbriefs and fixed-interest periods of cover assets:

(in € million)	Pfandbriefs in circulation	Cover pool	Pfandbriefs in circulation	Cover pool
	2018	2018	2017	2017
Less than 6 months	-	23.2	20.0	37.0
More than 6 but less than 12 months	-	10.9	33.0	37.9
More than 12 but less than 18 months	10.0	12.3	-	35.4
More than 18 months but less than 2 years	-	7.7	-	20.5
More than 2 but less than 3 years	2.6	31.9	10.0	63.6
More than 3 but less than 4 years	30.5	12.0	2.6	57.2
More than 4 but less than 5 years	-	0.8	30.5	34.7
More than 5 but less than 10 years	-	7.5	-	33.0
More than 10 years	-	-	-	1.7
<b>Key figures total</b>	<b>43.1</b>	<b>106.3</b>	<b>96.1</b>	<b>321.0</b>

## Breakdown of cover assets for Ship Pfandbriefs by size category:

(in € million)	2018	2017
Less than € 500 thousand	0.3	1.4
More than € 500 thousand but less than € 5 million	34.6	112.9
More than € 5 million	68.4	180.8
<b>Total</b>	<b>103.3</b>	<b>295.0</b>

## Breakdown of cover assets for Ship Pfandbriefs by country as well as international maritime and domestic ships:

(in € million)	Ocean-going ships	Inland ships	Total
Germany	35.8	-	35.8
	(170.6)	(-)	(170.6)
Antigua and Barbuda	2.1	-	2.1
	(3.0)	(-)	(3.0)
Great Britain	-	-	-
	(27.7)	(-)	(27.7)
Croatia	22.5	-	22.5
	(22.8)	(-)	(22.8)
Liberia	2.0	-	2.0
	(2.5)	(-)	(2.5)
Malta	22.0	-	22.0
	(29.4)	(-)	(29.4)
Marshall Islands	13.2	-	13.2
	(33.0)	(-)	(33.0)
Sweden	5.7	-	5.7
	(6.0)	(-)	(6.0)
<b>Total</b>	<b>103.3</b>	<b>-</b>	<b>103.3</b>
	<b>(295.0)</b>	<b>(-)</b>	<b>(295.0)</b>

## Total amount of payments for Ship Pfandbriefs outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days <sup>1)</sup>	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Receivables	1.5	3.4
	(2.3)	(13.9)

<sup>1)</sup> The above outstanding payments are not included in the reported cover pool.

There were no cases of forced sale, forced receivership or takeovers of ships or ships under construction to prevent losses. The total arrears on interest to be paid by loan debtors is € 67 thousand (€0 thousand) for ocean-going ships and € 0 thousand (€ 0 thousand) for inland ships.

The total value of **Aircraft Pfandbriefs** in circulation and the cover assets used for this are broken down as follows:

(in € million)	Nominal value	Present value	Risk-adjusted present values <sup>1)</sup> + 250 bp	Risk-adjusted present values <sup>1)</sup> - 250 bp	Risk-adjusted present values <sup>1)</sup> Currency stress
<b>Aircraft Pfandbriefs</b>					
Total Pfandbriefe in circulation	505.0 (505.0)	516.5 (517.8)	514.6 (503.5)	518.5 (516.4)	514.6 (503.5)
Total cover pool	1 204.1 (891.2)	1 327.4 (967.2)	1 236.0 (921.1)	1 440.1 (1 003.4)	1 146.3 (800.9)
<b>Over-collateralisation</b>	<b>699.1</b> (386.2)	<b>810.9</b> (449.3)	<b>721.5</b> (417.6)	<b>921.6</b> (487.0)	<b>631.8</b> (297.4)
Over-collateralisation in %	138.4 (76.5)	157.0 (86.8)	140.2 (82.9)	177.7 (94.3)	122.8 (59.1)
<b>Net present value per foreign currency item</b>					
GBP	- (-)	- (-)	- (-)	- (-)	44.8 (16.9)
USD	- (-)	- (-)	- (-)	- (-)	513.7 (712.0)

<sup>1)</sup> Static approach in accordance with §§ 5, 6 of the Pfandbrief Present Value Regulation (PfandBarwertV)

Disclosures concerning further cover assets for Aircraft Pfandbriefs in accordance with § 28 paras. 1, 4, 5 and 6:

(in € million)	Balancing receivables in accordance with § 26f (1) no. 2 PfandBG	Loans and advances to banks in accordance with § 26f (1) no. 3 PfandBG	Loans and advances to banks in accordance with § 26f (1) no. 3 PfandBG of which: covered debt securities <sup>1)</sup>	Loans and advances to the public sector in accordance with § 26f (1) no. 4 PfandBG	Total
Germany	- (-)	60.0 (-)	- (-)	413.4 (40.0)	473.4 (40.0)
Belgium	- (-)	- (-)	- (-)	30.0 (-)	30.0 (-)
<b>Total</b>	- (-)	<b>60.0</b> (-)	- (-)	<b>443.4</b> <b>(40.0)</b>	<b>503.4</b> <b>(40.0)</b>

<sup>1)</sup> in accordance with Article 129 of Regulation (EU) no. 575/2013

Key figures for Aircraft Pfandbriefs and respective cover assets:

(in € million)	2018	2017
<b>Pfandbriefs in circulation</b>	<b>505.0</b>	<b>505.0</b>
Share of fixed-interest Pfandbriefe in %	100.00	100.00
Share of derivatives	-	-
<b>Cover pool</b>	<b>1 204.1</b>	<b>891.2</b>
Share of fixed-interest cover assets in %	74.88	55.00
Share of derivatives	-	-
Total value of receivables that exceed the limits of § 26f para. 1 no. 3	-	-
Total value of receivables that exceed the limits of § 26f para. 1 no. 4	-	-

## Maturity structure of Aircraft Pfandbriefs and fixed-interest periods of cover assets:

(in € million)	Pfandbriefs in circulation	Cover pool	Pfandbriefs in circulation	Cover pool
	2018	2018	2017	2017
Less than 6 months	500.0	150.8	-	80.6
More than 6 but less than 12 months	5.0	123.2	-	81.8
More than 12 but less than 18 months	-	81.9	500.0	88.4
More than 18 months but less than 2 years	-	132.4	5.0	65.2
More than 2 but less than 3 years	-	191.3	-	199.5
More than 3 but less than 4 years	-	56.9	-	70.2
More than 4 but less than 5 years	-	107.1	-	75.0
More than 5 but less than 10 years	-	252.4	-	196.0
More than 10 years	-	108.0	-	34.5
<b>Key figures total</b>	<b>505.0</b>	<b>1 204.1</b>	<b>505.0</b>	<b>891.2</b>

## Breakdown of cover assets for Aircraft Pfandbriefs by size category:

(in € million)	2018	2017
Less than € 500 thousand	-	-
More than € 500 thousand but less than € 5 million	103.4	91.8
More than € 5 million	597.4	759.4
<b>Total</b>	<b>700.8</b>	<b>851.2</b>

## Breakdown of cover assets for Aircraft Pfandbriefs by country and type of aircraft:

(in € million)	Business Jet	Freighter	Narrow body	Regional Jet	Turbo- prop	Ultra- large	Wide- body	Total
Germany	-	99.2	-	-	13.4	-	-	112.6
	(-)	(103.9)	(29.2)	(-)	(15.5)	(-)	(-)	(148.5)
Finland	-	-	-	-	-	-	20.2	20.2
	(-)	(-)	(-)	(-)	(-)	(-)	(32.9)	(32.9)
France	-	-	-	-	-	45.5	29.1	74.6
	(-)	(-)	(-)	(-)	(-)	(59.1)	(30.5)	(89.6)
Great Britain	-	-	19.5	6.2	71.3	66.8	-	163.8
	(-)	(-)	(20.5)	(7.7)	(31.2)	(35.0)	(-)	(94.4)
Ireland	-	-	0.7	-	44.1	-	7.9	52.7
	(-)	(-)	(2.2)	(-)	(-)	(-)	(34.6)	(36.8)
Luxembourg	-	-	-	-	-	-	-	-
	(-)	(4.1)	(-)	(-)	(-)	(-)	(-)	(4.1)
Switzerland	-	-	8.7	-	-	-	-	8.7
	(-)	(-)	(27.2)	(-)	(-)	(-)	(-)	(27.2)
USA	-	85.9	138.6	43.7	-	-	-	268.2
	(-)	(89.4)	(272.3)	(56.0)	(-)	(-)	(-)	(417.7)
<b>Total</b>	<b>-</b>	<b>185.1</b>	<b>167.6</b>	<b>49.9</b>	<b>128.8</b>	<b>112.3</b>	<b>57.2</b>	<b>700.8</b>
	<b>(-)</b>	<b>(197.4)</b>	<b>(351.4)</b>	<b>(63.6)</b>	<b>(46.7)</b>	<b>(94.1)</b>	<b>(98.0)</b>	<b>(851.2)</b>

## Total amount of payments for Aircraft Pfandbriefs outstanding by at least 90 days:

(in € million)	Total value of payments outstanding by at least 90 days	Total value of covering receivables, where the amount outstanding is at least 5 % of the covering receivable
Receivables	-	-
	(-)	(-)

There were no cases of forced sale, forced receivership or takeovers of aircraft or aircraft under construction to prevent losses. The total arrears on interest to be paid by loan debtors is € 0 thousand (€0 thousand).

## 11. List of equity holdings

The list below contains equity holdings in accordance with § 285 no. 11 and 11a of the German Commercial Code and investments pursuant to § 340a paras. 4 no. 2 of the German Commercial Code. Included are all companies in which there is an equity holding of 20 per cent or more, unless they are of minor significance for the presentation of the net assets, financial position and results of operations, and investments in large corporations which exceed 5 per cent of the voting rights.

No.	Name / registered office	Share of capital held (in %)	Equity (in € 000)	Profit /Loss (in € 000)
<b>Affiliated Companies</b>				
1	BGG Bremen GmbH & Co. KG, Bremen <sup>1)6)</sup>	100.00	25.914	843
2	BGG Marktcarré GmbH & Co. KG, Bremen <sup>1)6)</sup>	100.00	10.082	- 348
3	BGG Oldenburg GmbH & Co. KG, Bremen <sup>1)6)</sup>	100.00	9.750	742
4	BLB Immobilien GmbH, Bremen <sup>3)6)</sup>	100.00	17.180	0
5	BLBI Beteiligungs-GmbH, Bremen <sup>1)6)</sup>	100.00	89	2
6	Braunschweig Gesellschaft mit beschränkter Haftung, Braunschweig <sup>3)6)</sup>	100.00	9.061	0
7	Braunschweig Grund Objektgesellschaft Driebenberg mbH & Co. KG, Braunschweig <sup>2)6)</sup>	66.67	370	1
8	Bremische Grundstücks-GmbH & Co. KG Präsident-Kennedy-Platz, Bremen <sup>2)6)</sup>	100.00	1.858	887
9	Bremische Grundstücks-GmbH & Co. Wohnanlagen Groß-Bonn, Bremen <sup>2)6)</sup>	100.00	653	68
10	City Center Magdeburg Hasselbach-Passage Grundstücksgesellschaft mbH, Hanover <sup>6)</sup>	100.00	508	0
11	Deutsche Hypothekbank (Actien-Gesellschaft), Hanover <sup>3)6)10)</sup>	100.00	838.172	0
12	finpair GmbH, Hanover <sup>8)11)</sup>	100.00	-	-
13	FL FINANZ-LEASING GmbH, Wiesbaden <sup>6)9)</sup>	58.00	- 460	- 102
14	GBH Beteiligungs-GmbH, Bremen <sup>6)</sup>	100.00	8.937	98
15	KreditServices Nord GmbH, Braunschweig <sup>3)6)</sup>	100.00	581	0
16	LBT Holding Corporation Inc., Wilmington, USA <sup>6)9)</sup>	100.00	- 426	-5.933
17	NBN Grundstücks- und Verwaltungs-GmbH, Hanover <sup>1)6)</sup>	100.00	1.836	73
18	NBN Norddeutsche Beteiligungsgesellschaft für Immobilien in Niedersachsen mbH, Hanover <sup>6)</sup>	90.00	2.695	- 3
19	Nieba GmbH, Hanover <sup>3)6)</sup>	100.00	162.700	0
20	NORD/Advisors Norddeutsche Financial & Strategic Advisors GmbH, Hanover <sup>6)</sup>	100.00	32	- 1
21	NORD/FM Norddeutsche Facility Management GmbH, Hanover <sup>3)6)</sup>	100.00	636	0
22	NORD/LB Informationstechnologie GmbH, Hanover <sup>3)6)</sup>	100.00	25	0
23	NORD/LB Leasing GmbH, Oldenburg <sup>3)6)10)</sup>	100.00	511	0
24	NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel, Luxembourg <sup>6)10)</sup>	100.00	702.800	29.320
25	NORD/LB Project Holding Ltd., London, Großbritannien <sup>6)</sup>	100.00	347	147
26	NORD/LB RP Investments LLC, Wilmington, USA <sup>5)</sup>	100.00	891	- 301
27	NORD/LB, SICAV-RAIF S.C.Sp., Luxembourg, Luxembourg <sup>8)11)</sup>	99.01	-	-
28	NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen <sup>1)6)</sup>	100.00	2.253	2.450
29	NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen <sup>2)6)</sup>	100.00	1.117	496
30	PLM Grundstücksverwaltung Gesellschaft mit beschränkter Haftung, Hanover <sup>6)</sup>	100.00	34	0



No.	Name / registered office	Share of capital held (in %)	Equity (in € 000)	Profit /Loss (in € 000)
31	Porzellanmanufaktur FÜRSTENBERG GmbH, Fürstenberg/Weser <sup>1)3)6)</sup>	98.00	3.088	0
32	Ricklinger Kreisel Beteiligungs GmbH, Hanover <sup>1)6)</sup>	100.00	170	65
33	SGK Servicegesellschaft Kreditmanagement mbH, Hanover <sup>6)</sup>	100.00	1.024	23
34	Skandifinanz AG, Zürich, Schweiz <sup>6)</sup>	100.00	11.891	0
35	Themis 1 Inc., Wilmington, USA <sup>6)</sup>	100.00	98	- 40
36	TLN-Beteiligung Anstalt des öffentlichen Rechts & Co. KG, Hanover <sup>12)</sup>	100.00	99.188	9.377
37	Unterstützungseinrichtung der Bremer Landesbank Kreditanstalt Oldenburg GmbH, Hanover <sup>6)</sup>	100.00	143.235	2.388
38	Vermögensverwaltungsgesellschaft Thiede mit beschränkter Haftung, Braunschweig <sup>1)3)6)</sup>	100.00	1.278	0
39	Warburg Investment Holding GmbH, Hanover <sup>6)</sup>	24.90	13.731	94
No.	Name / registered office	Share of capital held (in %)	Equity (in € 000)	Profit /Loss (in € 000)
<b>Other companies of min. 20 per cent share</b>				
1	Adler Funding LLC, Dover, USA <sup>1)6)9)</sup>	21.88	-14.086	-25.468
2	Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede <sup>6)</sup>	32.26	32.920	1.237
3	Braunschweig Grundstücksentwicklungsgesellschaft mbH, Braunschweig <sup>1)6)</sup>	50.00	43	2
4	BREBAU GmbH, Bremen <sup>6)10)</sup>	49.40	85.596	6.925
5	Bremer Spielcasino GmbH & Co. Kommanditgesellschaft, Bremen <sup>6)</sup>	49.00	3.939	2.126
6	Brocken Verwaltungs- und Vermietungs-GmbH & Co. KG, Wernigerode <sup>6)</sup>	50.00	2.900	101
7	Bürgschaftsbank Mecklenburg-Vorpommern GmbH, Schwerin <sup>6)10)</sup>	20.89	16.562	212
8	Bürgschaftsbank Sachsen-Anhalt GmbH, Magdeburg <sup>6)10)</sup>	20.44	15.612	454
9	caplantic GmbH, Hanover <sup>6)</sup>	45.00	4.583	1.767
10	FinTech Fonds GmbH & Co. KG, Köln <sup>6)</sup>	39.60	6.630	- 532
11	Gewobau Gesellschaft für Wohnungsbau, Vechta, mbH, Vechta <sup>6)</sup>	20.46	12.807	524
12	GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg <sup>6)10)</sup>	22.22	100.207	5.057
13	Immobilien Development und Beteiligungsgesellschaft Niedersachsen mit beschränkter Haftung IDB & Co. - Objekt Zietenterrassen - KG, Göttingen <sup>2)6)</sup>	50.00	4.850	- 282
14	INI International Neuroscience Institute Hannover GmbH, Hanover <sup>1)4)</sup>	22.70	-6.114	2.526
15	LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hanover <sup>6)10)</sup>	44.00	297.458	0
16	LINOVO Productions GmbH & Co. KG, Pöcking <sup>6)9)</sup>	45.17	-47.184	1.011
17	LUNI Productions GmbH & Co. KG, Pöcking <sup>6)9)</sup>	24.29	-115.894	- 194
18	Medicis Nexus GmbH & Co. KG, Icking <sup>4)</sup>	66.01	897	-6.766
19	Mittelständische Beteiligungsgesellschaft Mecklenburg-Vorpommern mbH, Schwerin <sup>6)</sup>	26.00	14.429	288
20	Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mit beschränkter Haftung, Hanover <sup>6)</sup>	39.82	13.638	507
21	NBV Beteiligungs-GmbH, Hanover <sup>6)</sup>	42.66	12.495	2.213
22	NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hanover <sup>6)</sup>	28.66	594	393
23	Öffentliche Lebensversicherung Braunschweig, Braunschweig <sup>6)</sup>	75.00	45.966	2.000
24	Öffentliche Sachversicherung Braunschweig, Braunschweig <sup>6)</sup>	75.00	284.170	9.318
25	Öffentliche Versicherung Bremen, Bremen <sup>6)</sup>	20.00	8.091	1.307
26	Toto-Lotto Niedersachsen GmbH, Hanover <sup>6)10)</sup>	49.85	29.256	18.875
27	Wohnungsbau-Gesellschaft Wesermarsch mit beschränkter Haftung, Brake <sup>6)</sup>	21.72	20.038	738

No.	Name / registered office
<b>NORD/LB is a partner with unlimited liability in the following company (§ 285 no. 11a of the German Commercial Code)</b>	
	GLB GmbH & Co. OHG, Frankfurt am Main
<b>Investments in terms of § 340a para. 4 no. 2 of the German Commercial Code, unless reported as an affiliated company or other shareholding</b>	
1	HAMMONIA SCHIFFSHOLDING AG, Hamburg
2	Niedersächsische Bürgschaftsbank (NBB) Gesellschaft mit beschränkter Haftung, Hanover
3	Niedersächsische Landgesellschaft mit beschränkter Haftung Gemeinnüt- ziges Unternehmen für die Entwicklung des ländlichen Raumes, Hanover
4	Bürgschaftsbank Bremen GmbH, Bremen

- 1) Held indirectly.
- 2) Including shares held indirectly.
- 3) A profit/loss transfer agreement exists with company.
- 4) Only data as at 31 December 2016 is available.
- 5) Only data as at 29 December 2017 is available.
- 6) Only data as at 31 December 2017 is available.
- 7) Only data as at 30 June 2018 is available.

- 8) Company established in 2018.
- 9) No overindebtedness.
- 10) Figures also in accordance with § 340a para. 4 no 2 of the German Commercial Code (banks are interpreted as large corporations).
- 11) Annual financial statements for the company are not available.
- 12) Figures also in accordance with § 285 No. 11a HGB. NORD/LB is a partner with unlimited liability.

Hanover/Braunschweig/Magdeburg, 2 April 2019

Norddeutsche Landesbank Girozentrale

**The Managing Board**

Bürkle

Dr. Holm

Dieng

Schulz

Tallner



# Reports

70	Responsibility statement
71	Auditor's opinion

## Responsibility statement

We declare that to the best of our knowledge and in accordance with applicable accounting principles, the annual consolidated financial statements provide a true and fair view of the Norddeutsche Landesbank Girozentrale's net assets, financial position and results of operations and that the Landesbank management report presents a true and fair view of the development of business, including the operating results and the position of the Landesbank, and also describes the significant opportunities and risks relating to the probable development of the Landesbank.

Hanover/Braunschweig/Magdeburg, 2 April 2019

Norddeutsche Landesbank Girozentrale

The Managing Board

Bürkle

Dr. Holm

Dieng

Schulz

Tallner

## Independent Auditor's Opinion

To Norddeutsche Landesbank – Girozentrale –, Hanover, Braunschweig and Magdeburg

### **Report on the Audit of the Annual Financial Statements and of the Combined Management Report**

#### *Opinions*

We have audited the annual financial statements of Norddeutsche Landesbank - Girozentrale -, Hanover, Brunswick and Magdeburg (NORD/LB), which comprise the balance sheet as at 31 December 2018 and the income statement for the financial year from 1 January to 31 December 2018 and notes to the annual financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of NORD/LB for the financial year from 1 January to 31 December 2018

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to credit institutions and give a true and fair view of the assets, liabilities and financial position of the NORD/LB as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the NORD/LB's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code] we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and the combined management report.

#### *Basis for our Basis for the Opinions*

We conducted our audit of the annual financial statements and the combined management report in accordance with Section 317 HGB and the EU Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the Bank in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

*Material uncertainty about the entity's ability to continue as a going concern*

Please refer to the comments in the combined management report in the 'Events after the reporting date as well as statements on the entity's ability to continue as a going concern' section and in the notes to the annual financial statements in the 'Disclosures concerning the accounting policies and principles of currency translation' section in which management states that the going concern assumptions made for the recognition and measurement as well as the going concern status of NORD/LB are subject to material uncertainty and in particular are based on

- the intended measures to strengthen the capital at the level of NORD/LB being implemented, completed and approved by all relevant stakeholders, in particular by the state parliaments of Lower Saxony and Saxony-Anhalt as well as by Deutscher Sparkassen- und Giroverband e.V., such that the regulatory capital ratios and buffers as well as thresholds are again complied with in future,
- the banking supervision, in particular the European Central Bank, the German Federal Financial Supervisory Authority [BaFin] and the German Bundesbank tolerate the shortfall of regulatory minimum capital ratios until the date of completion of the intended measures to strengthen the capital at the level of NORD/LB,
- all regulatory approvals required for the implementation, in particular from the EU Commission and the responsible banking supervision, are issued and
- the realignment of the business model and the intended restructuring measures are implemented according to plan.

If the intended measures to strengthen capital at NORD/LB level are not implemented as planned, this may result in the resolution of NORD/LB. In such a case or in the event of a rating downgrade or other adverse developments, significant outflows of short-term funds may be triggered and the funding options of NORD/LB could be fundamentally limited.

It is also required that the necessary acceptance be given by market participants and other relevant stakeholders for the successful transformation of NORD/LB's business model.

As stated in the comments in the combined management report in the 'Events after the reporting date as well as statements on the ability to continue as a going concern' section and in the notes to the annual financial statements in the 'Disclosures concerning the accounting policies and principles of currency translation' section, the events and circumstances described indicate the existence of material uncertainties which may raise significant doubts regarding the Bank's ability to continue as a going concern and represent going concern risks within the meaning of Section 322 (2) sentence 3 of the German Commercial Code [HGB]. Our opinions have not been modified with respect to this matter.



### *Key Audit Matters in the Audit of the Annual Financial Statements*

In addition to the matters described in the section 'Material uncertainty about the entity's ability to continue as a going concern' we have identified the matters described below as key audit matters which must be communicated in our independent auditor's report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Calculation of fair values for financial instruments in the trading portfolio using valuation models

For the accounting policies of NORD/LB please refer to the 'Disclosures concerning the accounting policies and principles of currency translation' section in the notes to the annual financial statements.

### THE FINANCIAL STATEMENT RISK

The asset and liability balance sheet items in the trading portfolio are measured at fair value in accordance with Section 340e of the German Commercial Code [HGB]. In some instances there are no market prices observable for the derivative financial instruments (EUR 5,813 million and EUR 5,631 million) recognised under these items. The fair values of these financial instruments are to be determined based on recognised valuation methods. The selection of the valuation models and their parametrisation is in part subject to judgement. For our audit it was therefore of particular importance that appropriate valuation models or inputs are used for the calculation of fair values and that the relevant asset and liability balance sheet items in the trading portfolio are in this respect measured in accordance with financial reporting requirements.

### OUR AUDIT APPROACH

On the strength of our risk assessment and estimate of risk errors, we based our opinion on control-based audit procedures as well as substantive audit procedures. Consequently, we carried out the following audit procedures among others:

First, we gained a comprehensive understanding of the development of the relevant financial instruments, the associated risks and the internal control system with regard to the measurement of the relevant financial instruments.

To assess the appropriateness and effectiveness of the internal control system with regard to the valuation of financial instruments for which no market prices are observable, we used our measurement specialists to conduct surveys and gain insight into relevant documents. After carrying out this test of design, we assessed the effectiveness of specific established controls using tests of operating effectiveness.

One focus of the tests of controls was to establish whether the models were validated when introduced as well as regularly or on an ad hoc basis, irrespective of the trading or business areas. Using sampling in the course of tests of operating effectiveness, we assessed whether the validations were appropriately performed and documented and whether the implemented valuation models as well as the inputs incorporated for the respective product are suitable and appropriate. Furthermore, we audited the monitoring of measurement of the relevant transactions performed by a department that is independent of the trading or business area using inputs obtained from third parties.

With the involvement of our valuation specialists, we also carried out a re-evaluation for a selected group of products based on materiality and risk aspects. In addition, we performed analytical audit procedures to add further detail to our risk assessment taking account of the assurance already obtained from other substantive audit procedures and randomly selected additional products for re-evaluation from the remaining population.

Inputs observable in the market were used for the re-evaluation where possible. We then compared the results of our re-evaluation with the figures determined by NORD/LB.

#### OUR OBSERVATIONS

The derivative financial instruments recognised under the asset and liability balance sheet items in the trading portfolio for which no prices are observable in the market are measured using appropriate models in accordance with the applicable accounting policies. The Bank's inputs underlying the measurement are appropriate.

#### Calculation of specific loss allowances on loans and advances to customers from ship financing

For the accounting policies of NORD/LB please refer to the 'Disclosures concerning the accounting policies and principles of currency translation' section in the notes to the annual financial statements.

#### THE FINANCIAL STATEMENT RISK

NORD/LB operates in the ship financing business. Owing to the continued challenging market environment in commercial shipping and how this may potentially impact the value of shipping loans, the financial performance and the capital adequacy of NORD/LB, the Bank further specified the strategic reduction of non-performing shipping loans in the reporting year. Exposure at default (EAD) for non-performing shipping loans designated for this reduction amounted to EUR 7.5 billion as at 31 December 2018.

NORD/LB is planning a portfolio transaction with an external investor for a sub-portfolio with an EAD of EUR 2.6 billion and is now bound by contract to dispose of this sub-portfolio. Furthermore, an internal workout unit for an additional part of the shipping loan portfolio designated for reduction with an EAD of EUR 3.8 billion is planned to be established as principal course of action. A downsizing plan by way of individual sales is being developed for the remaining part of the shipping loan portfolio designated for reduction with an EAD of EUR 1.1 billion.

The measurement of risk provisioning for debt instruments with a deterioration in credit quality (specific loss allowances) is generally based on probability-weighted scenarios.

Determining the number and nature of scenarios, deriving the cash flows expected in each scenario and estimating the probabilities of occurrence requires considerable judgement. Therefore, it was of particular importance for our audit that the number of scenarios considered was consistent with the complexity of the conditions determining the individual credit risks. We also considered it important that the selection of specific scenarios, estimates of probabilities for each scenario and estimates of cash flows expected in each scenario were verifiably and objectively justified and consistently performed and documented.

#### OUR AUDIT APPROACH

Using a risk-based audit approach, we based our audit opinion on both control-based audit procedures and substantive audit procedures.

Consequently, we carried out the following audit procedures among others:

First, we gained an overview of the development of shipping markets, an insight into the development of the Bank's shipping loan portfolios, the associated credit risks, the methods used to determine specific loss allowances and the internal control system with regard to the calculation of specific loss allowances for shipping loans. Furthermore, we assessed the effects on the financial reporting as at 31 December 2018 based on interviews and meetings with management, by inspecting management's and supervisory board's meeting minutes and based on the review of documentation on the external exposure reduction of shipping loan portfolios. To assess the appropriateness of the internal control system in respect of the calculation of specific loss allowances for ship financing, we conducted interviews and inspected the written rules of procedure.

We then verified the implementation and effectiveness of relevant controls intended to ensure the appropriate determination of specific loss allowances in accordance with the accounting principles. For the IT systems deployed for this purpose, we verified the effectiveness of the IT application controls performed with the involvement of our IT experts.

Based on these findings, we also assessed for the sub-portfolios whether the number and nature of the scenarios used as well as the probabilities assigned to these scenarios were appropriate. In doing so, we took into account the complexity of the respective loans and the factors likely determining further exposure to risk and considered whether the assumptions underlying the scenarios were consistent with the forecasts of general macroeconomic conditions and the estimates of expected sales proceeds, takeover prices or expected amounts realised used by NORD/LB.

We then assessed the cash flows derived for the scenarios including the payment dates assumed and verified the calculation of the necessary risk provisioning.

#### OUR OBSERVATIONS

As a result of the audit approach described for the shipping loan portfolio designated for reduction with an EAD of EUR 7.5 billion, we found that the selection of specific scenarios, estimates of probabilities for each scenario and estimates of cash flows expected in each scenario have been verifiably and objectively justified and consistently performed and documented.

*Other information*

Management is responsible for the other information. The other information comprises the remaining parts of the annual report, with the exception of the audited annual financial statements and combined management report and our auditor's report.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

*Responsibilities of Management and the Supervisory Board for the financial statements and the combined management report*

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with German commercial law applicable to credit institutions, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Bank in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal controls as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Bank's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Bank's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Bank's financial reporting process for the preparation of the annual financial statements and of the combined management report.

*Auditor's Responsibilities for the Audit of the Financial Statements and of the Combined Management Report*

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Bank's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Bank.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Bank in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with German law, and the view of the Bank's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

**Other Legal and Regulatory Requirements**

*Further information pursuant to Article 10 of the EU Audit Regulation*

We were appointed as auditor by the Supervisory Board on 13 April 2018. We were engaged by the Chairman of the Supervisory Board on 3 August 2018. We have been the auditor of NORD/LB without interruption since the financial year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

**German Public Auditor Responsible for the Engagement**

The German Public Auditor responsible of the engagement is Mr Volker Bormann.

Hanover, 10 April 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

Signature Wiechens  
Wirtschaftsprüfer  
[German Public Auditor]

signatureBormann  
Wirtschaftsprüfer  
[German Public Auditor]

## Report of the Supervisory Board

During the reporting year the Managing Board of the Bank regularly informed the Supervisory Board and the committees set up by the Supervisory Board about business performance and the position of NORD/LB AöR and the Group. The Supervisory Board and its committees adopted resolutions on business matters presented to them and on other issues requiring decisions by these executive bodies in accordance with the statutes and regulations relating to these articles.

The Supervisory Board also looked closely at NORD/LB AöR's business and risk policy. Fundamental issues concerning business policy were discussed in detail at several meetings. The Supervisory Board also looked at the NORD/LB's status in the security system of the Savings Banks Finance Group as well as the trading strategy of financial markets for NORD/LB AöR and NORD/LB Group.

The annual financial statements and the consolidated financial statements of NORD/LB for the financial year 2018 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. . The audits have all led to an unqualified audit opinion with a separate section on the substantial uncertainty in connection with the bank as a going concern. In addition, the auditors attended a meeting of the Supervisory Board to discuss the annual financial statements on 1 April and on 18 April 2019 reported on the findings of their audit of the annual financial statements.

The auditors also took part in the meeting of the Supervisory Board on 18 April 2019 and reported on the findings of their audit.

The Supervisory Board has approved the results of the audit carried out by the auditors; the results of a conclusive examination carried out by the Supervisory Board did not give any cause for objections. In its meeting on 18 April 2019 the Supervisory Board adopted NORD/LB AöR's annual financial statements for 2018 and approved the consolidated financial statements for 2018. The Supervisory Board also recommended to the Owners' Meeting to discharge the Managing Board.

The following persons left the Supervisory Board:

on 25 March 2018	Dr Elke Eller
on 25 March 2018	Antje Niewisch-Lennartz
on 31 August 2018	Norbert Dierkes

The following persons were appointed to the Supervisory Board:

as of 26 March 2018	Astrid Hamker
as of 26 March 2018	Frank Doods
as of 1 September 2018	Dr Jürgen Fox

The Supervisory Board would like to thank the Managing Board for its cooperation based on mutual trust, and the bank's employees for the work they carried out in 2018.

Hanover/Braunschweig/Magdeburg  
April 2019

Reinhold Hilbers  
Minister of Finance  
State of Lower Saxon



## Report of the Owners' Meeting

In the year under review the Owners' Meeting performed the duties assigned to it by the state treaty and by the statutes. The Owners' Meeting discharged the Managing Board and the Supervisory Board.

Furthermore, in its meetings in 2018, the Owners' Meeting consulted mainly on NORD/LB's capital resources.

The following persons left the Owners' Meeting:

on 14 June 2018	Dr Ingolf Lange
on 22 August 2018	Norbert Dierkes
on 24 October 2018	Rolf Christiansen

The following persons were appointed to the Owners' Meeting:

as of October 2018	Dr-Ing Alexander Badrow
as of 23 August 2018	Dr Jürgen Fox
as of 19 June 2018	Heinrich Heine

The Owners' Meeting thanks the Supervisory Board, the Managing Board and the Bank's employees for their work.

Hanover/Braunschweig/Magdeburg  
April 2019

Thomas Mang  
President  
Sparkassenverband Niedersachsen

NORD/LB  
Norddeutsche Landesbank Girozentrale  
Friedrichswall 10  
30159 Hanover  
Germany

Tel.: +49 0 511 - 361 -0

Fax: +49 0 511 - 361 -2502

[www.nordlb.com](http://www.nordlb.com)

[www.facebook.com/nordlb](https://www.facebook.com/nordlb)

[www.twitter.com/nord\\_lb](https://www.twitter.com/nord_lb)

# Annex

84

Report on Transparency of Pay Structures Act

## Report on Equal Pay

### **Measures to promote equality of women and men and their effects**

NORD/LB provides a working environment in which all employees are treated equally, irrespective of gender, nationality, ethnic origin, religion or ideology, disability, age, sexual orientation or identity. Diversity among employees is an important element of the corporate identity of NORD/LB. Here, the Bank is guided by the principles set down in the Diversity Charter.

In order to help the bank achieve its economic and social objectives, in 2017 NORD/LB provided tailored offerings related to diversity, including training programmes and personal development measures as well as offers, related to the topic of work and family life, to help employees meet family obligations, such as raising children or taking care of ill family members. Various flexible working options as well as the ability to open long-term working time credit accounts are other options offered by NORD/LB.

These coordinated measures not only create a working climate and environment characterised by respect, but also ensure good development prospects for all staff – applied equally to both women and men.

### **Measures for the promotion of equal pay for women and men**

NORD/LB ensures equal treatment of women and men as regards pay via identical transparent bases of calculation and procedures as well as through defined remuneration components. NORD/LB designed and implemented a new clearly defined and gender-neutral remuneration structure at the beginning of 2016 as part of a key bundle of measures. This remuneration structure places its main focus on a job evaluation methodology – made up of several career bands and differentiated career levels – as well as our own bonus system. The job evaluations of NORD/LB reflect in a transparent and comprehensible manner the value of the functions for the Company since these evaluations are task based and do not depend on the identity of the holder. Remuneration is therefore irrespective of gender, nationality, ethnic origin, religion or ideology, disability, age, sexual orientation or identity and is based gender-neutrally on qualifications, range of responsibilities and functions as well as professional experience. The newly designed remuneration structure already takes account of aspect of the rules on the provision of information and communication with employees whilst at the same time complying with relevant data protection legislation.

Because of increased regulatory requirements, detailed information regarding compensation is disclosed in separate compensation reports prepared by the individual companies of the NORD/LB Group.

### Key figures

Average total number of employees, excluding apprentices and trainees and employees on parenting leave, by gender:

	2017	2016
employees (total)		
male employees	2 161	2 125
female employees	2 144	2 115
proportion of men	50.2%	50.1%
proportion of women	49.8%	49.9%

Average number of full-time and part-time employees by gender:

	2017	2016
<b>Employees (total)</b>	<b>4 305</b>	<b>4 240</b>
<b>Steady employees (total)</b>	<b>4 030</b>	<b>4 009</b>
male	2 035	2 019
female	1 995	1 990
Steady employees, full-time	3 148	3 155
male	1 963	1 955
female	1 185	1 200
Steady employees, part-time	882	854
male	72	64
female	810	790
<b>Employees on temporary contracts (total)</b>	<b>275</b>	<b>231</b>
male	126	106
female	149	125
Employees on temporary contracts, full-time	261	225
male	124	103
female	137	122
Employees on temporary contracts, part-time	14	6
male	2	3
female	12	3
<b>Apprentices and trainees (total)</b>	<b>193</b>	<b>179</b>
male	90	85
female	103	94
<b>Employees during their parenting leave (total)</b>	<b>128</b>	<b>104</b>
male	7	11
female	121	93
Share of full-time employees	79.2%	79.7%
Share of part-time employees	20.8%	20.3%
Share of Steady employees	93.6%	94.5%
Share of employees on temporary contracts	6.4%	5.5%
Share of apprentices and trainees	4.5%	4.2%
Share of employees during their parenting leave	2.8%	2.4%

NORD/LB  
Norddeutsche Landesbank Girozentrale  
Friedrichswall 10  
30159 Hanover  
Germany

Tel.: +49 0 511 - 361 -0

Fax: +49 0 511 - 361 -2502

[www.nordlb.com](http://www.nordlb.com)

[www.facebook.com/nordlb](https://www.facebook.com/nordlb)

[www.twitter.com/nord\\_lb](https://www.twitter.com/nord_lb)