Die norddeutsche Art.

Norddeutsche Landesbank Girozentrale

Hanover, Braunschweig, Magdeburg

Interim Group Report as at 30 June 2019

NORD/LB at a Glance

Income Statement	1 Jan. - 30 Jun. 2019 (in € million)	1 Jan. - 30 Jun. 2018[1] (in € million)	Change (in %)
Net interest income	496	618	– 20
Net commission income	50	28	79
Profit/loss from financial assets at fair value	195	– 36	> 100
Risk provisioning	– 1	– 31	– 97
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	– 10	30	> 100
Profit/loss from hedge accounting	14	– 12	> 100
Profit/loss from shares in companies	13	11	18
Profit/loss from investments accounted for using the equity method	20	11	82
Administrative expenses	487	522	– 7
Other operating profit/loss	– 39	– 29	34
Earnings before restructuring, reorganisation and taxes	**251**	**68**	**> 100**
Restructuring result	–	14	– 100
Reorganisation expenses	71	30	> 100
Earnings before taxes	**180**	**52**	**> 100**
Income taxes	31	– 2	> 100
Consolidated profit/loss	**149**	**54**	**> 100**

Key figures	1 Jan. - 30 Jun. 2019 (in %)	1 Jan. - 30 Jun. 2018 (in %)	Change (in %)
Cost-Income-Ratio (CIR)	67.2%	85.6%	– 21
Return-on-Equity (RoE)	9.5%	1.7%	> 100

Balance sheet figures	30 Jun. 2019 (in € million)	31 Dec. 2018[1] (in € million)	Change (in %)
Total assets	145 303	154 012	– 6
Financial assets at amortised cost	107 971	114 041	– 5
Financial liabilities at amortised cost	122 547	133 483	– 8
Equity	3 343	3 354	– 0

Regulatory key figures	30 Jun. 2019	31 Dec. 2018[2]	Change (in %)
Common equity tier 1 capital (in € million)	2 949	2 976	– 1
Tier 1 capital (in € million)	3 264	3 381	– 3
Tier 2 capital (in € million)	2 298	2 307	– 0
Own funds (in € million)	5 562	5 688	– 2
Total risk exposure amount (in € million)	44 468	44 895	– 1
Common equity tier 1 capital ratio (in %)	6.63%	6.63%	–
Total capital ratio (in %)	12.51%	12.67%	– 1

[1] For individual items, the previous years´s figures have been adjusted, see Note (2) Restatement of previous year´s figures.
[2] The regulatory reporting data as at 31 December 2018 have been restated due to changes in regulatory requirements for the presentation of Pillar II requirements and due to corrections (for corrections see Note (2) Restatement of previous year´s figures).

Minor discrepancies may arise in this report in the calculation of totals and percentages due to rounding.

Interim Group Management Report as at 30 June 2019

The Group – Basic Information

Realignment of the NORD/LB Group

At the start of 2019 the owners took decisive steps for the future of the NORD/LB Group which will result in a redimensioning of the NORD/LB Group and a realignment of the business model. In February 2019 the Owners' Meeting of NORD/LB gave approval in principle to prioritising a capital-boosting programme at NORD/LB jointly with the Deutscher Sparkassen- und Giroverband e.V. (German Association of Savings Banks and Girobanks). A redimensioned business model and a business plan based on that will gradually be further developed in consultation with the regulator (European Central Bank, Deutsche Bundesbank, and Federal Financial Supervisory Authority).

The Bank has set itself the goal of reducing the Non-Performing ship financing portfolio as far as possible in the medium term. The decision to reduce the NPL ship financing portfolio by means of an internal restructuring unit instead of transferring a further large NPL sub-portfolio of ship financing with an exposure of € 3.8 billion to an external asset management company results in an extension of the period planned for the NPL reduction by up to two years to the end of 2021. As a preparatory measure for a portfolio transaction, the risk provisioning for an NPL sub-portfolio with an exposure of € 2.6 billion was increased to € 1.7 billion in the previous year, so that this portfolio could be wound down at short notice in the first half of 2019 using the risk provisioning. Consequently - as well as other transactions relating to individual exposures - the NPL exposure in the ship financing portfolio was wound down further, from € 7.3 billion at the start of the year to € 4.3 billion (gross figure before fair-value discount) at the end of H1 2019. The goal for the second half of the year 2019 is to reduce more than one third of the remaining NPL ship financing exposure.

At its first meeting, the Bank's internal project steering committee for the NORD/LB 2024 transformation programme defined the guidelines for realigning NORD/LB and in particular for developing the new business and operating model. The focus is on standardising, automating and centralising processes with the aim of reducing complexity at NORD/LB. The quantitative guidelines set the target figures for administrative costs and staff numbers and the reduced total assets of around € 95 billion to be achieved by 2024. Conceptual and superordinate guidelines make up the framework for implementing and operationalising these targets.

The Bank's new business model, together with the resulting cost and earnings targets, are still subject to examination by the European Commission, with which the Bank is holding in-depth discussions. These talks may still lead to adjustments or additions to these measures. As things currently stand, the first measures that will work towards achieving the 2024 goal are due to be adopted by the end of 2019. Over the next three years, all goals must be accompanied by measures and it must be ensured they are achieved, so that by 2024 all measures are implemented and all goals achieved.

Business Model

NORD/LB is a public-law institution with legal capacity. The Bank's owners are the federal states of Lower Saxony and Saxony-Anhalt, the Savings Banks Association of Lower Saxony, (Sparkassenverband Niedersachsen, referred to below as SVN), the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1,607 million, as in the prior year with the federal state of Lower Saxony holding 59.13 per cent (of which around 38.11 per cent is held in trust for the federal-state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt holding 5.57 per cent, the SVN 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania 3.66 per cent.

NORD/LB is a commercial bank, Landesbank (federal state bank) and central bank for the savings banks based in Hanover, Braunschweig and Magdeburg and operating beyond this core region with domestic branches in Bremen, Düsseldorf, Hamburg, Munich, Oldenburg, Schwerin and Stuttgart. The branches in the key international financial and trading centres of New York and Singapore play a significant role in NORD/LB's foreign business activities. Foreign branches are also maintained in London and Shanghai. As legally dependent business units, the branches pursue the same business model as NORD/LB.

As the Landesbank for Lower Saxony and Saxony-Anhalt, NORD/LB is responsible for fulfilling the functions of a central bank for the savings banks (clearing centre). The Bank also handles promotional business on behalf of the federal states through the Investitionsbank Sachsen-Anhalt, Magdeburg (an institution within NORD/LB) and through the Landesförderinstitut Mecklenburg-Vorpommern, Schwerin (a business segment of NORD/LB). NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony. It also offers all services for savings banks in other German federal states such as Schleswig-Holstein.

In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergy effects, reinforcing the customer divisions and bundling service offerings. The NORD/LB Group comprises, among others:

- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (referred to below as: Deutsche Hypo) and
- Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel (referred to below as: NORD/LB Luxembourg).

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

Control Systems

In view of the far-reaching steps for the future of the NORD/LB Group, management control systems will also be revised. We provide below a description of the management control systems in H1 2019:

The NORD/LB Group's integrated control system offers a comprehensive overview of the Group's profitability, equity, risk, liquidity and asset quality. The central aim is to optimise the Bank's profitability while simultaneously ensuring adequate capital and liquidity. The focus is on standardised and integrated management reporting during the year that includes both deviation analyses and extrapolations as at each quarter and year-end, with utilisation of early warning and restructuring thresholds. Accordingly, internal reporting also includes an integrated management and restructuring cockpit.

Another key control tool is the annual strategy and planning process. Up to the start of the planning process, the Managing Board confirms or revises the strategic objectives, which are then used to set the targets for the following year's planning in autumn. The planning is synchronised during a top-down/bottom-up process.

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

Return-on-Equity (RoE)	Earnings before taxes / Long-term equity under commercial law Long-term equity under commercial law = reported equity - OCI - earnings after taxes
Return on risk- adjusted capital at segment level (RoRaC)	Earnings before taxes / capital commitments
Cost-Income-Ratio (CIR)	Administrative expenses / Total earnings Total earnings = Net interest income + Net commission income+ Profit/loss from financial assets at fair value + Disposal profit/loss from financial assets that are not measured at fair value through profit or loss + Profit/loss from hedge accounting + Profit/loss from investments accounted for using the equity method + Other operating profit/loss

At Group level, the Common Equity Tier 1 capital ratio is a further key indicator of performance. The leverage ratio and the absolute variables required to calculate these key figures are also included. The primary objective is to ensure adherence over the long term to the defined internal objectives and all regulatory requirements.

Given the need to provide evidence of adequate capital, the risks incurred are continuously reviewed to ensure that they are covered by the available risk capital at all times. This includes management of risk-bearing capacity, taking account of the utilisation of risk capital by risk potential. The risk-bearing capacity calculation is supplemented with stress tests in order to provide an in-depth analysis.

The overarching goal of liquidity risk management and monitoring is to ensure NORD/LB's payment and funding ability at all times. Liquidity risks are limited on the basis of defined scenarios and the key limits are monitored daily.

A detailed description of risk management can be found in the Annual Report 2018.

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

Risk Management

The NORD/LB Group's risk management and the corresponding structural and process organisation, the procedures implemented, methods of risk measurement and monitoring, and the risks to the Group's development were presented in detail in the Annual Report 2018. Consequently, this interim report only describes significant developments in the reporting period.

Economic Report

General Economic and Industry-Specific Environment

Global Economic Environment

Following the high growth of the global economy at the start of 2018, economic growth slowed in H2 2018 in particular. Although Q1 2019 was again surprisingly positive in many countries in the first quarter of the year, growth subsequently lost momentum. Trade policy, most notably the dispute between the USA and China, played a key role here. However, the economic cycle itself is also entering a different phase. The slowdown in the growth momentum of the real trading volume is also intact.

Although the United States has been growing at a fast rate to date, there are increasing signs that the pace is no longer so strong. Real gross domestic product (GDP) in Q1 2019 was still growing at an annualised rate of 3.1 per cent, but in Q2 it was 2.1 per cent, which was a significant fall. But, compared with Europe, the USA is still extraordinarily strong, especially since there were also special factors for the lower momentum.

European growth was a positive surprise at the start of 2019. The eurozone economy grew by +0.4 per cent in real terms in Q1 2019 compared with the previous quarter. Nevertheless, towards the summer it lost some steam - albeit not to the same extent as in Germany. In Q2, real GDP growth only halved compared to the previous quarter to 0.2 per cent. It is mainly the industrial sector that has suffered losses, while the service sector remains stable.

The start to 2019 was surprisingly good for Germany. Real gross domestic product increased in Q1 by +0.4 per cent compared with the previous quarter. However, the pace of growth slowed towards the summer. It will be difficult to keep in positive territory. In particular, a slowdown in the global economy is becoming more evident. But the export statistics also clearly show the economic crisis in Turkey and Brexit have left their mark. Germany's industrial sector is currently suffering the most. Production has declined and the continuing negative order intake dampened the prospects for further growth. Only construction output is positive. Private consumption and the service sector remain solid at present, thanks in part to the strong labour market.

On the capital markets, uncertainty about Brexit, which has been postponed to 31 October 2019 at present, and trade disputes and geopolitical tensions between the USA and Iran, for example, continue to play a major role. But the impact of the more expansionary policies of the central banks, especially the Fed (Federal Reserve System) was even more pronounced. Indeed the European Central Bank also pivoted in its monetary policy towards a more accommodating stance with the conference in Sintra, Portugal. This is leading to a very sharp fall in yields on government bonds overall. 10-year Bunds were yielding -0.30 per cent at the end of June, for example. US 10-year Treasuries had a yield of around 2.0 per cent.

The US dollar benefited in particular from the relatively good economic growth in the USA. At the beginning of the year, the euro still cost USD 1.1450 and USD 1.1373 by the end of June, despite the interest-rate cut. The EUR/USD base swap spreads continued to dip into negative territory below -20 basis points across all maturity ranges.

Finance Sector

The European banking sector has had to deal with deep cuts in recent years. As a result, the number of institutions and branches in Europe has fallen. This trend will continue in future as a result of mergers and liquidations. Although a few banks are using the departure of market participants who have come under pressure as a strategy for expanding, most European banks are responding to current developments by reorganising business segments, focusing on core business, reducing balance sheet risks and initiating efficiency improvement programmes. Positive economic performance in the eurozone and looser lending standards meant that both new lending and credit volume overall rose. Only countries on the periphery of the eurozone (including Spain, Italy and Portugal) continue to see falling lending volumes, although the rates of decline are slowing. This is due in part to the disproportionately sharp decline in risk-weighted assets (RWA). All in all, the main credit rating data for the European banking market improved. The Common Equity Tier One Capital ratio, the NPL ratio and the coverage ratio all improved. Return on equity (RoE) also rose slightly. The drivers for this were improved commission income and reduced risk costs. The trend was supported by the better economic environment, but interest income fell due to the competitive market environment. The European banking sector continues to face major challenges. In addition to ongoing digitalisation forcing established banks to make major investments and hence increasing pressure on costs, there are also political risks (Brexit, governments critical of the EU (among others in Italy), intercontinental trade conflicts and protectionist tendencies) creating uncertainties for the banking market. In addition, funding costs will rise due to regulatory requirements and as ECB programmes come to an end.

Shipping

The headwind from the weaker economic forecasts and the geopolitical upheavals affected the shipping markets to varying degrees in the first half of the year.

Customs disputes between the USA and China did not escalate until the middle of the second quarter. As a result of the conflict that has been simmering since last year, anticipatory effects were expected in the transpacific trade, particularly in the container market. The decline in Asia-US trade in H1 2019 was therefore not surprising. Although the increase in container trade slowed globally, the growth trend remained intact despite the deteriorating framework conditions. The charter market saw growth. The correction of the previous year was largely made up for. However, the focus of demand was on ships with larger loading capacities. Owing to the forthcoming switchover of the industry to low-sulphur fuels (regulations by the International Maritime Organization 2020, IMO 2020), parts of the liner fleets were equipped with exhaust gas purification systems (scrubbers) and therefore tonnage was chartered.

The dry bulk sector had to cope with several external shocks at the start of the year. A new dam breach led to significant declines in iron ore production in Brazil, while storms affected shipments of iron ore in western Australia. With the usual decline in demand around the Chinese New Year festival in mid-February, the Baltic Dry Index sharply dropped to below 600 points, the lowest level since the beginning of the upturn in 2016. On the demand side, African swine fever, which is rampant in China, also had a negative impact on global soybean trade. It was not until the gradual ramping up of iron ore production in Brazil in Q2 that the sector began to recover. Despite a renewed increase in deliveries, the bulker fleet grew only slightly as scrapping activities picked up in 2019.

OPEC cuts in production, sanctions against Venezuela and Iran, and the US trade war with China weighed heavily on the tanker sector.

Deliveries to new tonnage remained high, while scrappages did not hit the record levels of the previous year. Although the spot market was dominated by lower rates, the charter market was relatively stable in the first half of the year. This was the case with both the crude oil and product tanker segments.

Aircraft

According to the calculations of the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) increased by 4.6 per cent year-on-year in the first five months of 2019. Despite weaker global economic growth, demand remained robust. The growth rates were 4.5 per cent for international traffic and 4.9 per cent for domestic traffic. There were clear geographical differences in these transport trends. Above-average performance was reported for passenger traffic in the Europe region (+6.4 per cent). The Middle East (0.0 per cent) and Africa (+2.4 per cent) saw above-average growth or were unchanged.

The number of freight tonne kilometres sold (FTK) fell by 3.3 per cent year-on-year in the first five months of 2019 due to the weakness in global trade and trade conflicts. The decline was particularly big in the Asia/Pacific region, which is heavily dependent on world trade, where volumes fell by 7.8 per cent year-on-year.

Real Estate

After the record year of 2018, this year on the global commercial real estate market kicked off in a somewhat more subdued fashion. Global transaction volumes reached USD 341 billion in H1 2019, down 9 per cent from the prior-year period. Following the turmoil on stock markets at the end of 2018, investor concerns about rising borrowing costs and a global economic slowdown climbed. However, these concerns have diminished since the ECB postponed its interest-rate pivot and the FED cut interest rates. The availability of investment products in demand is still limited, however.

Given these conditions, there was a decline in transaction volumes on the European real estate markets. In Q2 2019, only USD 57 billion was invested in commercial real estate. That was equivalent to a 20 per cent decrease year on year. In H1 2019 as a whole, transaction volumes decreased by 19 per cent year-on-year to USD 109 billion. The main reasons for the decline in the European transaction volumes are the increasing loss of appetite of investors in the UK, most likely due to the ongoing lack of clarity concerning Brexit, and significantly declining investments in European retail real estate overall - European investments in retail real estate plunged by 43 per cent on the same period in the previous year. European transaction volumes adjusted for the UK and the retail sector is only 3 per cent below the previous year's level (H1 2018). This shows that the European real estate investment market is not in a bad shape as a whole, but that the problems are concentrated.

The German real estate investment market picked up pace in the middle of the year despite low supply and fresh rises in prices. In the first six months, transaction volumes including the "living" asset class (= multi-family homes and residential portfolios of 10 or more residential units, apartment blocks, student halls of residence, senior citizen/nursing homes and clinics) reached a value of just under € 32.2 billion (previous year: € 36.8 billion). That was equivalent to a 12 per cent fall year-on-year. Commercial real estate alone accounted for € 24.2 billion. In the wake of the growth of the investment market in Q2, the transaction volume in the Big 7 (Berlin, Düsseldorf, Frankfurt/M., Hamburg, Cologne, Munich and Stuttgart) picked up again. Including "living", more than € 17 billion was invested there in the first half of the year (excluding "living": just under € 14 billion). Investors clearly still focused on office properties (36 per cent of total transaction volume), followed by "living" properties (around 28 per cent), retail properties (around 15 per cent) and logistics properties (around 9 per cent).

Significant Events in the Reporting Period

Regulatory Requirements regarding Minimum Capital

According to Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), NORD/LB on Group level must comply with legally prescribed minimum equity ratios for the supervisory equity ratios (Common Equity Tier 1 capital, Tier 1 capital and own funds) and capital buffer. The numerator is the relevant equity ratio and the denominator is the relevant total risk exposure amount according to Art. 92 para. 3 CRR.

In addition to the statutory minimum equity ratios, the European Central Bank (ECB), as the supervisory authority responsible for NORD/LB, imposes individual minimum equity ratios on NORD/LB at Group level as part of the Supervisory review and Evaluation Process (SREP). In the reporting period, this requirement applied to the total capital ratio and was 10.5 per cent. This requirement comprises the legal minimum total capital ratio as per CRR of 8.0 per cent and an additional 2.5 per cent consisting entirely of Common Equity Tier 1 capital (the so-called “Pillar 2 Requirement”, or P2R).

In addition, in the reporting period the Bank was required to maintain a combined capital buffer of around 3.57 per cent, comprising the statutory capital buffer of 2.5 per cent, an institution-specific anti-cyclical buffer weighted for all lending of around 0.07 per cent and – because it is a national systemically important bank – a capital buffer for other systemically important institutions of 1.0 per cent. Overall the individual minimum total capital ratio in reporting period was around 14.07 per cent.

Because both the P2R requirement and the combined capital buffer requirement have to be covered by Common Equity Tier 1 capital, in the reporting period the Bank had to maintain an individual Common Equity Tier 1 capital ratio of around 10.57 per cent (= statutory minimum capital ratio pursuant to CRR of 4.5 per cent + additional requirement of 2.5 per cent + combined capital buffer requirement of around 3.57 per cent).

The following table shows an overview of the NORD/LB Group’s minimum supervisory capital requirements in the reporting period:

(in %)	Common equity tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Regulatory requirement (in accordance with Article 92 (1) CRR)	4.50%	6.00%	8.00%
Additional requirement according to SREP (P2R in accordance to Article 16 (2) litera a regulation (EU) nr. 1024/2013)	2.50%	2.50%	2.50%
	7.00%	**8.50%**	**10.50%**
Capital conservation buffer (§ 10c KWG)	2.50%	2.50%	2.50%
Countercyclical capital buffer (§ 10d KWG)	0.07%	0.07%	0.07%
Capital buffer for otherwise system relevance (§ 10g KWG)	1.00%	1.00%	1.00%
Total requirement	**10.57%**	**12.07%**	**14.07%**
30 Jun. 2019	**6.63%**	**7.34%**	**12.51%**

As the German supervisory authority, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) has announced that in the future it will levy an anti-cyclical capital buffer of 0.25 per cent for lending business in Germany, which must be maintained by all banks affected from no later than 1 July 2020. This means the countercyclical capital buffer requirement valid as at the reporting date, which arises only from lending transactions abroad, would probably go up towards the requirement valid for Germany from 2020.

In addition to the minimum supervisory equity ratios, NORD/LB was also set a minimum MREL ratio at Group level during the year by the Single Resolution Board, the EU authority responsible for winding up banks and securities firms. MREL stands for minimum requirement for own funds and eligible liabilities which banks in the EU are obliged under Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) to hold as a buffer for losses and recapitalisation in the event resolution is required. The minimum MREL ratio for NORD/LB in the reporting period was 8.0 per cent: this is obtained by dividing equity and MREL-qualifying liabilities by the sum of equity and all liabilities.

Changes in Regulatory Equity and Strategie to boost it

As at 31 December 2018, NORD/LB had fallen well below the regulatory minimum equity ratios at the reporting date (for details see also Note (30) Regulatory Data in the Consolidated Notes).

The main reasons for this shortfall as at the reporting date largely had their origin in 2018, in which the Bank reported a large negative consolidated loss after taxes in accordance with IFRS, mainly due to the creation of additional sizable risk provisioning for non-performing shipping loans. Since the end of 2018, this negative performance has almost fully reduced the Tier 1 capital, as a result of which all regulatory equity ratios have fallen significantly.

The Bank's supervisory authorities were informed early on of this failure to meet the minimum equity ratios.

To counter this, the current owners of NORD/LB and the German Association of Savings Banks and Girobanks reached an agreement in April 2019 on capital-strengthening measures for the Bank and have since contractually agreed them. These are to comprise a capital increase of at around € 2.8 billion to be conducted during 2019 and alternative capital measures to be provided by the State of Lower Saxony amounting to a total equity equivalent of up to € 800 million. Before implementation, all measures will be subject to a mandatory EU competition law review and approval by the European Commission. This review was still ongoing at the time of this reporting.

Because the minimum equity ratios were not met as at 31 December 2018, in accordance with § 10i KWG in February 2019 NORD/LB was obliged to demonstrate a maximum distributable amount (MDA) from the 2018 results and submit a capital preservation plan. This contained a detailed timetable of how and on what time path the above-mentioned countermeasures will restore compliance with the minimum equity ratios. The Bank's regulatory capital ratios will easily exceed the minimum equity ratios again once the capital-strengthening measures are implemented. In the medium term the Bank is aiming for a Common Equity Tier 1 capital ratio of at least 14 per cent.

The MREL ratio in the reporting period was only slightly affected by this development, as the major element in the MREL-qualifying capital at NORD/LB currently consists of unsecured and unstructured senior bonds and promissory notes issued in the past. NORD/LB comfortably complied with the valid MREL minimum ratio as at the reporting date.

Regulatory amendments

As at the end of June 2019, updates to the CRR and BRRD came into force at EU level. Certain parts of CRR II apply immediately from their entry into force, but most of the provisions of CRR II do not apply until June 2021. BRRD II must still be transposed into German law by December 2020 at the latest in order for it to become mandatory.

From NORD/LB's perspective, significant changes in the two laws concern possible simplifications in the deduction of intangible assets from Tier 1 capital and the redefinition of the denominator in the MREL ratio in the form of the replacement of the sum of own funds and liabilities by the total risk exposure amount. In addition, the criteria for recognising liabilities as MREL-qualifying capital have been tightened and approval by the SRB required before an intended reduction of MREL-qualifying liabilities is carried out, in the same way as approval is currently needed from the ECB before a planned reduction of own funds components can be carried out.

The application of the provisions of CRR II and BRRD II, most of which have only been postponed, leaves NORD/LB with sufficient time to realign capital management if necessary and to modify internal processes.

Performance of Capital Instruments

Due to the above-mentioned undershooting of the minimum equity ratios and owing to the insufficient availability of distributable items as at 31 December 2018, existing instruments that are permanently eligible as Additional Tier 1 capital in accordance with the CRR did not have to be serviced from the 2018 net profit in the reporting period. Triggered by the negative earnings after taxes in 2018, the requirement to service the existing silent participations to be contractually carried out in the reporting period for 2018 also lapsed. If contractual servicing of capital instruments recognized as liabilities is no longer required, the amortised cost of these instruments is recalculated in accordance with IFRS using an effective interest rate-based valuation of future contractual cash flows.

In the consolidated financial statements as at 31 December 2018, incorrect assumptions were made in connection with the measurement of silent participations with regard to the terms of termination and the estimate of expected cash flows. The corresponding correction to the assumed cash flows led to an increase in the carrying amount of the silent partnership contributions reported as liabilities compared with the carrying amount previously reported as at 31 December 2018. The changes in value, in turn, had a negative impact on earnings in the reporting period (see Note (2) Restatement of previous year´s figures).

The newly determined acquisition costs are written back to the result of the respective period until the silent participations have been properly serviced.

Reduction of Ship Financing Portfolio

The Bank has set itself the goal of reducing the NPL ship financing portfolio as far as possible in the medium term. The decision to reduce the NPL ship financing portfolio by means of an internal restructuring unit instead of transferring a further large NPL sub-portfolio of ship financing with an exposure of € 3.8 billion to an external asset management company results in an extension of the period planned for the NPL reduction by up to two years to the end of 2021.

As a preparatory measure for a portfolio transaction, the risk provisioning for an NPL sub-portfolio with an exposure of € 2.6 billion was increased to € 1.7 billion in the previous year, so that this portfolio could be wound down at short notice in the first half of 2019 using the risk provisioning. Consequently - as well as other transactions relating to individual exposures - the NPL exposure in the ship financing portfolio was wound down further, from € 7.3 billion at the start of the year to € 4.3 billion (gross figure before fair-value discount) at the end of H1 2019. The goal for the second half of the year is to reduce more than one third of the remaining NPL ship financing exposure.

Transformation Programme NORD/LB 2024

Since the beginning of April, the future direction of NORD/LB has been substantially clear. The Bank has reached agreement with the previous owners, the Savings Bank Financial Group (SFG) and the banking supervisory authorities on the main features of the new business model. This is currently being examined by the European Commission. The realignment also involves a substantial reduction in the size of the Bank.

The derived target for staff numbers in 2024 is currently 2,800-3,000 full-time positions (including Braunschweigischer Landessparkasse [BLSK] and Deutsche Hypo), which equates to a reduction of around 1,650 to 1,850 full-time positions in addition to the reduction target of the One Bank transformation programme. Administrative expenses are to be reduced from around € 1 billion to € 625 million in 2024.

To achieve the 2024 target agreed with the owners and the supervisory authority, a profound and comprehensive transformation with a substantial further simplification of the Bank's processes and structures is necessary. Against this background, it was decided to reorganise the main banking projects. Both programmes – Blossom (NORD/LB recapitalisation and business model) and One Bank (optimisation of group structures and processes) – were transferred to a joint new project structure with additional content for transformation. The new programme, entitled NORD/LB 2024, will be concerned particularly with the following topics of focus:

- Implementation of the capital measures: This topic set comprises not only the capital measures in the narrower sense but also work on the financial guarantees of the state of Lower Saxony and on other capital-relief measures for several of the Bank's loan portfolios (Tower Bridge, Maritime Industries, Aviation).
- European Commission: This mainly comprises the coordination and administration of the procedure with the European Commission in respect of the examination of the planned capital measures in terms of state aid legislation.
- Restructuring / Target Operating Model (TOM): This largest topic group focuses on the development of NORD/LB's future target image, including the identification and implementation of the measures required for this. The main topics covered here include the IT target architecture, the revised organisational structure and procedures, and the Bank's restructuring and future segment planning. This also includes implementation of the measures developed in the context of One Bank.
- Carve-outs / M&A / Redimensioning: This topic group bundles together the work on the future prospects and setup of the foreign branches, Group subsidiaries and the development institutions in Saxony Anhalt and Mecklenburg-Western Pomerania.
- Bank Management: In this module, work is being carried out on creating a model for 'Bank Management 2.0', involving all relevant specialist departments and taking into account the existing IT premises.

At its first meeting, the steering committee for the transformation programme defined the guidelines for realigning NORD/LB and in particular for developing the new business and operating model (Target Operating Model TOM). The focus is on standardising, automating and centralising processes with the aim of reducing complexity at NORD/LB. The quantitative guidelines set the target figures for administrative costs and staff numbers and the reduced total assets of around € 95 billion to be achieved by 2024. Conceptual and superordinate guidelines make up the framework for implementing and operationalising these targets.

The Bank's new business model, together with the resulting cost and earnings targets, are still subject to examination by the European Commission, with which the Bank is holding in-depth discussions. These talks may still lead to adjustments or additions to these measures. As things currently stand, the first measures that will work towards achieving the 2024 goal are due to be adopted by the end of 2019. Over the next three years, all goals must be accompanied by measures and it must be ensured they are achieved, so that by 2024 all measures are implemented and all goals achieved.

External Rating

On 31 January 2019, the Canadian rating agency DBRS published a press release on NORD/LB. All NORD/LB ratings (apart from the financial strength and support ratings) were placed under review with negative implications. The reason for the change in outlook was uncertainty over remaining in the joint liability scheme and enjoying support from it. At present the rating is based on membership of the joint liability scheme. DBRS will review the rating when the impact of the reduction of the shipping finance portfolio, the capital raising measures and the Bank's future franchise and business strategy are clearer. On 20 May 2019, DBRS confirmed and therefore reiterated its "review with negative implications".

On 14 February 2019 rating agency Moody's Investors Service placed all long-term ratings for NORD/LB under review for upgrade. This followed an ad hoc announcement by NORD/LB on 2 February 2019 about the decisions by the owners to focus on a capital-boosting programme and realignment of the Bank jointly with the Savings Bank Finance Group. Moody's expected the review to be completed during Q2 or Q3 2019, depending on the progress of the measures implemented and obtaining the necessary regulatory and owner confirmations. On 18 February the outlook for Pfandbriefs was also changed to "review for upgrade".

On 22 February 2019 rating agency Fitch issued a Rating Action Commentary on NORD/LB: all short-term and long-term ratings of NORD/LB were confirmed (including "rating watch negative") and the viability rating (VR) was downgraded from "bb" to "f" on methodological grounds due to the use of "extraordinary support".

Brexit

Since June 2017 NORD/LB has implemented a project to prepare NORD/LB and Deutsche Hypo for possible operational and procedural changes in response to the Brexit decision. NORD/LB geared its planning to a hard Brexit, i.e. a disorderly withdrawal of the United Kingdom, early on.

NORD/LB applied for and received the Temporary Permission Regime (TPR) from the Bank of England in case of a hard Brexit. This will ensure that NORD/LB can operate on a transitional basis to the extent provided for in the current approval (current EU passporting rights). The transitional period ends when the London branch is licensed by the Financial Conduct Authority (FCA).

Overall, the NORD/LB Group expects no significant impact from Brexit. The negotiations between the EU and the UK are being monitored closely.

Report on the Earnings, Assets and Financial Position

In the following report the previous year's figures for the period from 1 January to 30 June 2018 are shown and those from 31 December 2018 are shown in brackets.

Earnings Position

The NORD/LB Group posted positive earnings before taxes of € 180 million (previous year: € 52 million) in H1 2019. This was largely attributable to the profit from fair value measurement. The income statement figures can be summarised as follows:

	1 Jan. - 30 Jun.2019 (in € million)	1 Jan. - 30 Jun.2018[1] (in € million)	Change (in %)
Net interest income	496	618	– 20
Net commission income	50	28	79
Profit/loss from financial assets at fair value	195	– 36	> 100
Risk provisioning	– 1	– 31	– 97
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	– 10	30	> 100
Profit/loss from hedge accounting	14	– 12	> 100
Profit/loss from shares in companies	13	11	18
Profit/loss from investments accounted for using the equity method	20	11	82
Administrative expenses	487	522	– 7
Other operating profit/loss	– 39	– 29	34
Earnings before restructuring, reorganisation and taxes	**251**	**68**	**> 100**
Restructuring result	–	14	– 100
Reorganisation expenses	71	30	> 100
Earnings before taxes	**180**	**52**	**> 100**
Income taxes	31	– 2	> 100
Consolidated profit/loss	**149**	**54**	**> 100**

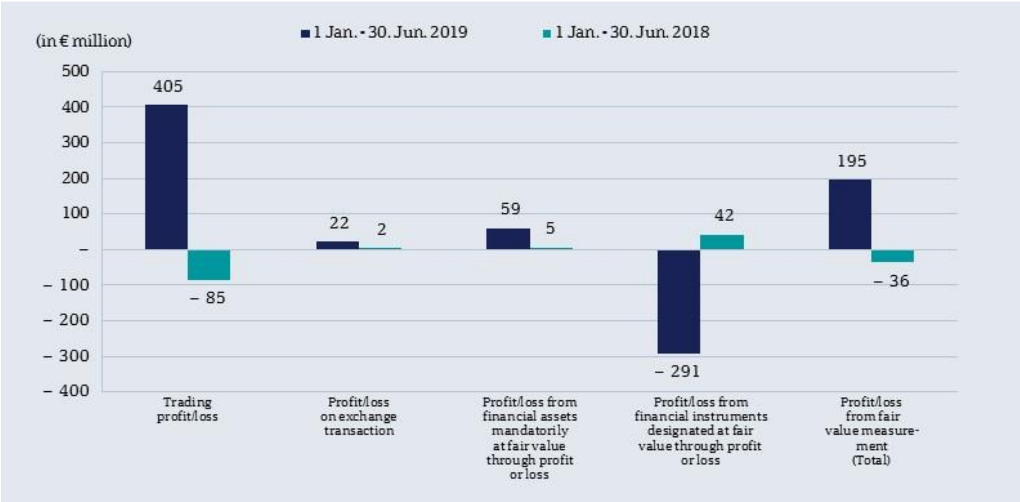
[1] For individual items, the previous years´s figures have been adjusted, see Note (2) Restatement of previous year´s figures.

Due to persistently low interest rates on the money and capital markets, **net interest income** declined by € 122 million to € 496 million year-on-year (€ 618 million). European capital market interest rates continued to trend downwards in H1 2019. The fall in interest income is also attributable to further reductions in the ship financing portfolio. On the income side, interest income from financial assets measured at amortised cost decreased by € 103 million, mainly due to the reduction in the portfolio. The € 120 million interest decrease are from financial assets at fair value through profit or loss, € 96 million of them were due to interest income of trading derivatives. Expenses also saw a decline. Interest expenses on financial liabilities measured at amortised cost shrunk by € 56 million. The decrease in interest expenses from financial liabilities at fair value through profit or loss amounted to € 68 million; at € 63 million, trading derivatives made up the main part of this decrease in line with the income side.

Net commission income rose by € 28 million to € 50 million year-on-year. Net commission income is one-off income in connection with the sale of a € 2.6 billion ship financing portfolio to an investor. Guarantee premiums paid for securitisation transactions decreased to € 63 million from € 70 million in H1 2018.

At € 195 million, **profit/loss from fair value measurement** was € 231 million higher than the -€ 36 million seen the previous year. Due to the fall in euro interest rates in H1 2019, there were significant gains in trading profit from interest-rate derivatives as a result of the receiver swap surplus, trading portfolio claims and interest-bearing securities. The widening of EUR/USD basis spreads also led to a gain from currency derivatives in trading profit. The positive foreign exchange result resulted mainly from the development of the

USD exchange rate followed by GBP translation effects. Lower euro interest rates also led to a gain from financial assets at fair value through profit or loss, whereas the fair value measurement of products on the liabilities side of the balance sheet produced a significant loss from financial instruments at fair value through profit or loss.



At -€ 1 million, **risk provisioning** was almost neutral compared with -€ 31 million in the same period of the previous year. In connection with the downsizing of ship financing, existing risk provisioning for some exposures was partially released to income.

The **profit/loss from disposals of financial instruments not measured at fair value through profit or loss** of -€ 10 million (€ 30 million) was almost exclusively due to losses from the disposal of financial liabilities (deposits) measured at amortised cost. The previous year's earnings resulted primarily from the disposal of securities that were measured at fair value.

The **profit/loss from hedge accounting** amounted to € 14 million (-€ 12 million). Measurement expenses of € 50 million resulting from hedged underlying transactions from micro and portfolio fair value hedging transactions were offset by € 64 million in derivatives employed as hedging instruments.

Profit/loss from shares in companies amounted to € 13 million (€ 11 million). This was mainly due to an increase in the fair value of an equity investment. The € 20 million (€ 11 million) in **profit/loss from shares in companies accounted for using the equity method** was solely attributable to the proportionate profit/loss from investments accounted for using the equity method.

Administrative expenses fell by € 35 million to € 487 million compared to the prior-year period. Personnel expenses amounted to € 266 million, compared with € 285 million in H1 2018; the successful implementation of the ongoing personnel reduction measures was already evident here. Other administrative expenses declined by € 23 million to € 189 million versus the prior-year period. This is largely attributable to the € 9 million reduction in building occupancy costs and a € 6 million reduction in IT expenses. Consulting expenses in connection with reorganisation measures are shown separately under reorganisation expenses.

Other operating profit/loss came to -€ 39 million (-€ 29 million). This includes, as the largest expenses item, expenses associated with the contributions to the EU banking resolution funds, the bank levy and the guarantee schemes totalling € 74 million (€ 65 million). A balance of € 10 million (€ 23 million) was also recorded for allocations to and reversals of other provisions.

Profit/loss from restructuring for the creation of provisions (in particular personnel reduction costs) could not yet be booked in the first half of 2019. The previous year's earnings of € 14 million resulted from the reversal of provisions for reorganisation measures. The **reorganisation expense** of € 71 million (€ 30 million) related to activities aimed at securing the future and maintaining the competitiveness of the NORD/LB Group. The expenses are not attributable to operating activities but serve the comprehensive strategic reorganisation of the Group. Due to their significance and their extraordinary non-recurring nature they are shown separately and are not allocated to administrative expenses. These are consultancy services for strategy, transformation, IT and legal advice to create the conditions for necessary capital measures, the redimensioning of risk-bearing business and the restructuring of IT. In addition to consulting fees paid and accrued, expenses also include success and breakage fees paid and accrued.

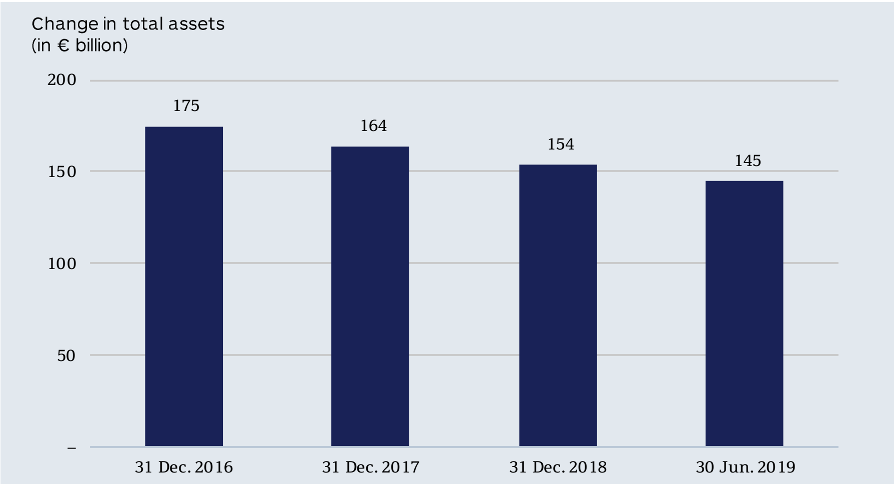
The **tax expenditure of** € 31 million (-€ 2 million) resulted mainly from positive tax results of the foreign Group units.

Assets and Financial Position

	30 Jun. 2019 (in € million)	31 Dec. 2018[1] (in € million)	Change (in %)
Trading assets	10 328	8 963	15
Financial assets mandatorily at fair value through profit or loss	3 097	3 443	– 10
Financial assets at fair value through other comprehensive income	19 291	20 548	– 6
Financial assets at amortised costs	107 971	114 041	– 5
Shares in companies	351	338	4
Investments accounted for using the equity method	158	173	– 9
Other assets	4 107	6 506	– 37
Total assets	**145 303**	**154 012**	**– 6**
Trading liabilities	4 009	3 681	9
Financial liabilities designated at fair value through profit or loss	7 861	7 767	1
Financial liabilities at amortised costs	122 547	133 483	– 8
Provisions	3 256	2 869	13
Other liabilities	4 287	2 858	50
Equity	3 343	3 354	– 0
Total liabilities	**145 303**	**154 012**	**– 6**

[1] For individual items, the previous years´s figures have been adjusted, see Note (2) Restatement of previous year´s figures.

Total assets continue to trend downwards.



Trading assets of € 10,328 million (€ 8,963 million) consisted of € 5,275 million (€ 4,222 million) in derivative financial instruments as well as debt securities and receivables held for trading. The increase in trading assets results in particular from the increase in the fair values of receiver swaps as a result of tightened interest rates.

Financial assets mandatorily at fair value through profit or loss included financial assets of € 3,097 million (€ 3,443 million) that include financial assets either allocated to the "Do not hold" business model even though they are not held as trading assets, or which regardless of the business model do not meet the cash flow criterion. At € 2,287 million (€ 2,480 million), financial assets at fair value through profit or loss mainly comprised debt securities. The remainder was receivables and, to a lesser extent, equity instruments. The decline in the total portfolio of € 346 million was mainly the result of changes in the portfolio and measurement effects.

At € 19,291 million (€ 20,548 million), **financial assets at fair value through other comprehensive income** are financial assets allocated to the “Hold and sell” business model if the cash-flow criterion is also met. The NORD/LB Group allocated to this category € 17,553 million (€ 18,739 million) in securities intended for short and medium-term liquidity management purposes and securities that are not generally intended to be held long term. In the lending business, this category was used for only a very narrow spectrum of products, primarily promissory notes.

At € 107,971 million (€ 114,041 million), **financial assets at amortised cost** is the NORD/LB Group’s largest asset category by amount. The principal parts of the traditional credit and lending business are reported in this category. It also includes a portion of the NORD/LB Group’s securities portfolio. This category includes non-derivative financial assets allocated to the “Hold” business model if the cash-flow criterion is also met. The expected credit losses of € 2.4 billion calculated under the impairment regulations and covered by risk provisioning reduced the balance sheet carrying amount.

Trading liabilities of € 4,009 million (€ 3,681 million) include derivative financial instruments with negative fair values. The increase in liabilities held for trading results in particular from the increase in fair values of payer swaps as a result of the interest rate squeeze.

Financial liabilities designated at fair value through profit or loss came in at € 7,861 million (€ 7,767 million). This sub-category contains financial liabilities designated at fair value through profit or loss that would be measured at amortised cost if not designated. The NORD/LB Group uses the fair value option to minimise or avoid accounting mismatches.

At € 122,547 million (€ 133,483 million), the position **financial liabilities at amortised cost** is the largest category on the liabilities side by amount. This category includes, in particular, liabilities to banks and customers, securitised liabilities and subordinated capital, insofar as such liabilities were not designated for measurement at fair value under the fair value option.

The total amount of **provisions** rose by € 387 million versus 31 December 2018. At € 382 million, provisions for defined benefit pension plans accounted for the largest portion of this increase. The main drivers here were the allocations of period of service and interest expenses, the increase in terms and the effect of the significant reduction in the discount rate from 2.20 per cent (31 December 2018) to 1.55 per cent. In the case of other provisions, an increase of € 33 million in loan loss provisions was offset by a utilisation of the provisions for reorganisation measures in the amount of € 20 million.

As at 30 June 2019, **reported equity** amounted to € 3,343 million (€ 3,354 million). The consolidated profit was more than offset by earnings components recognised directly in equity.

Contingent liabilities and other obligations fell and amounted to € 9.9 billion (€ 10.9 billion) at the reporting date. The decline was almost solely related to irrevocable credit commitments.

Overall Assessment

The financial and risk situation of the NORD/LB Group is still impaired by the ongoing shipping crisis. In a key points paper and support agreement, the current and future owners agreed at the beginning of 2019 to a capital increase subject to the redimensioning and realignment of the NORD/LB Group. Measures to redimension and realign the Bank were agreed with these owners. The ongoing cost-cutting and staff downsizing measures are also showing initial progress.

The Bank has set itself the goal of reducing the non-performing ship financing portfolio as far as possible by the end of 2021. In H1 2019, this NPL portfolio had already been shrunk from € 7.3 billion (gross amount reported before fair-value discount) to € 4.3 billion, in particular through the sale of an NPL sub-portfolio.

Because of the consolidated loss for the 2018 financial year the minimum capital ratio required by the supervisory authorities was undershot. Once the capital-strengthening measures have been implemented, probably in Q3 2019, the Bank will again significantly exceed the regulatory minimum equity ratios. Despite the still difficult general conditions the Group was able to achieve some operational success in the other business segments in H1 2019. As expected, the H1 2019 profit of € 149 million (after taxes) will, however, turn into a loss in H2 2019 as the expenses for restructuring/reorganisation measures in the context of the realignment and redimensioning will crystallise in H2 2019.

Details of the remaining challenges, expectations, opportunities and risks can be found in the Forecast, Opportunities and Risk Report.

Forecast, Opportunities and Risk Report

General Economic Development

Global Economic Outlook

Global economic growth will continue to slow down in 2019. The central banks in the United States, the eurozone, the United Kingdom and China are responding to the slowdown in the economic climate with monetary policy countermeasures. Interest-rate cuts, which are supported at least in China and the USA through further economic policy measures, should once again assist growth by the end of 2019. NORD/LB believes a solution can be found to the trade dispute. In addition, in the UK a hard Brexit is likely to be cushioned in the form of numerous transitional or exception rules.

Economic Forecast for Germany and the Eurozone

The most important pillar of German growth is domestic consumption. Given the robust labour market remains robust, this should ensure that it will continue to drive growth. Although jobs growth has lost some momentum at the moment, the levels are still very robust and should be supported accordingly. Favourable interest rates are supporting consumption and the construction industry. The economy should stabilise again in Q3. But a technical recession in Germany cannot be completely ruled out, and the relevant indicators do not yet show a trend reversal. In the second half of the year, economic measures in China and interest-rate cuts in the USA should, however, boost demand for German exports. Furthermore, an amicable solution to the major risks of a trade war and Brexit could contribute to more calm and a greater appetite for investing. NORD/LB is currently expecting real GDP growth of 0.4 per cent for the Federal Republic of Germany in 2019 as a whole. In Sintra and at its July interest rate meeting, the ECB indicated a more expansionary approach. The ECB is expected to continue to ensure low interest rates and the necessary economic stimuli via the credit channel. A more expansive ECB, interest-rate cuts in the USA and stimuli in China should revive the eurozone economy at the turn of the year. NORD/LB anticipates real GDP growth of 1.1 per cent in 2019.

Financial Market Development and Interest Rate Forecast

An exit from ultra-loose monetary policy has been postponed far into the future. The ECB is faced with persistently low inflation expectations. New ECB head is very likely to interpret her role as an expansionary one, just as her predecessor has done. The ECB is expected to implement a rate cut in the deposit facility and announce an expanded asset purchase programme (EAPP) before Mario Draghi’s term ends in September this year. Given the ECB’s monetary policy, which will remain very hawkish for some time to come, euro money market interest rates will remain extremely low. This will also be reflected in how longer-dated yields perform. NORD/LB forecasts Bunds yielding -0.40 per cent for the 10-year maturity range at the end of the year. The North American bond market is now pricing in interest-rate cuts by the Federal Open Market Committee (FOMC) and is expecting the US Federal Reserve to act too aggressively. In this respect, the scope for further declines in capital market yields in the USA is probably quite limited, even in the short term. NORD/LB expects EUR/USD basis swap spreads to be moving sideways at the current level of around -20 basis points by the end of 2019. The euro should also be worth the current rate of USD 1.1200 at the end of the current year.

Finance Sector

The macroeconomic developments within the eurozone and around the world will lead to an improvement of credit portfolios. However, the volume of NPL remains at a high level in the European banking market, especially in the so-called PIIGS countries (Portugal, Italy, Ireland, Greece and Spain), meaning there will be further balance sheet adjustments and, possibly, capital measures to achieve a lasting improvement. That said, the banking market still faces significant challenges in light of the growing regulatory requirements, the ongoing digitalisation and the political risks (including Brexit and intercontinental trade conflicts), which are also jeopardising economic growth.

Shipping

The sector is once again facing challenges. Firstly, the prospects for global economic growth deteriorated in the first half of the year due to the trade war orchestrated by the USA and the sanctions imposed, which prompted the IMF to lower its forecast for global GDP growth once more to 3.3 per cent. Secondly, the deadline for the switchover to low-sulphur fuels is inexorably approaching. From January 2020, new emissions guidelines for the shipping industry will apply without exception. Only fuel with a sulphur content of up to 0.5 per cent may then be used, or exhaust gas purification systems ("scrubbers") must be installed. The changeover will also require a certain amount of advance work (bunkering of new fuels in service, docking for conversions and tank cleaning), which will be clearly evident in all sectors from Q4/2019 at the latest. Consequently, 1 January 2020 marks the beginning of a new era for shipping, but one with opportunities (market adjustments, filtering out of inefficient tonnage) and not just pressures.

In the container sector, the impact of the new IMO 2020 regulations is already visible. As a result of retrofitting measures (retrofitting of exhaust gas purification systems), tonnage is in demand on the charter market to close gaps in scheduled services (loops). The wave of deliveries will initially peak in 2019, with fleet growth softening as a result of new orders that have so far been subdued. The scrapping of ships that have lost competitiveness will increase, but in the medium term it is likely that order activity will increase again.

After the heavy slump in the first half of the year, the mood in the bulk goods sector brightened in the summer. Q3 has traditionally seen rising demand, but in 2019 the industry had to cope with one-off effects in global iron ore production, which will reverse in the second half and add to demand. But this momentum will only be temporary. Although fleet growth remains moderate combined with increasing scrappages, including in the bulk goods sector, predictions of a slowdown in Chinese economic growth, the main driver of the industry, have proven true. This means that expectations for the growth of rates and thus earnings for the rest of the year remain subdued.

For the tanker market, by contrast, the outlook for H2 2019 is much better. Despite a high volume of new tonnage, geopolitical risks and weak freight rates, only a limited amount of scrappages and a continuing stable charter market point to a positive underlying mood. This is quite justified. In light of the changes brought about by the IMO 2020 regulations, demand for refined fuels will increase significantly, which will stimulate trading activities and the flow of goods on both the crude oil and product tanker sides in the last two quarters of 2019.

Aircraft

For 2019, IATA is expecting growth in global passenger traffic (RPK) of 5.0 per cent, which is slightly below the average growth over the past ten years of 6.0 per cent. IATA is anticipating a dip in the net profit of global airlines to USD 28.0 billion in 2019 (2018: USD 30.0 billion). This would correspond to a net margin of approximately 3.2 per cent (2018: 3.7 per cent).

The IATA forecasts stagnation (0.0 per cent) demand for air cargo volume (FTK).

Real Estate

The global transaction volume for commercial real estate is likely to be somewhat more moderate in the current year after the record-breaking 2018. The global investment volume is expected to fall by 5-10 per cent. After a weaker first half, the second half of the year should be more favourable. A US economy that exceeds expectations, fiscal stimuli in Europe, low interest rates and high liquidity are factors that will revive the investment markets further. On the other hand, supply and price bottlenecks and geopolitical and economic uncertainties will weigh and make transaction volumes at the previous year's level unlikely.

Despite the weakening economy, the German real estate market as a whole is expected to remain stable in 2019. Since interest rates are not expected to rise until 2021 and there are no alternative investments, demand for real estate will remain intact. As a number of larger properties and portfolios are also in the process of being sold, the transaction volume (including the "living" asset class) is expected to reach around € 70 billion by the end of the year. Prime yields for office properties are still under pressure and likely to fall marginally again by the end of the year. Investors are increasingly focusing their attention on potential rent increases in this asset class. Prime yields for logistics properties, which are currently below the four per cent threshold for the first time ever, will also probably fall further as they become increasingly intertwined with the retail trade. In the case of retail real estate, the differences between the various segments observed since the end of 2018 will continue. Although an increase in yields can be observed for shopping centres, the prime yield for specialist store products is declining. Prime yields for individual specialist stores and inner-city commercial properties should remain stable until the end of the year.

Statements on the Going Concern Assumption

In the last few years, the continuing crisis in commercial shipping has led successively to rising non-performing loan portfolios as well as to major loan loss provision requirements with corresponding pressure on regulatory capital ratios for NORD/LB and the NORD/LB Group. Similar developments in the financial year 2018 also contributed to a substantial loss for the year. Consequently, NORDLB no longer complied with the regulatory capital ratios as at 31 December 2018 and in H1 2019.

To wind down non-performing ship financing portfolios and create the basis for measures to strengthen the capital ratios, NORDLB, its owners and Deutscher Sparkassen- und Giroverband e. V. (German Savings Banks and Giro Association or DSGV) agreed in a notarised basic agreement dated 21 June 2019 to take measures to strengthen the Bank's capital base and realign it. The main points of this agreement are a capital increase of around € 2.8 billion against cash contributions and alternative capital measures with a CET1 equivalent of around € 0.8 billion. This is intended to prepare the Bank for further increases in regulatory requirements and permanently strengthen its crisis resilience and competitiveness. Besides reducing non-performing loan portfolios, 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 the Group in the coming years.

Until the capital increase is carried out, the minimum capital ratios will remain below the regulatory minimum. The banking regulators have been informed accordingly by NORD/LB.

The capital strategy and business plan for the financial years 2019 to 2024, upon which the Management Board's forecast of the Bank as a going concern is based, take account of the capital injection described, the alternative capital measures and the realignment of the business model. The Bank is currently coordinating with the banking supervisory authorities on the capital strategy and business plan and with the European Commission on state aid aspects. 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, meeting all regulatory requirements.

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 agreed in the basic agreement of 21 June 2019 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 DSGV, with the result that the capital ratios and buffers as well as the thresholds demanded by the regulators will in future be met again,
- 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 demanded by the regulators until the measures pursued to reinforce capital on the level of NORD/LB have been completed,
- all official permits required to implement the plan, particularly from the European 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 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 any successful implementation of the realignment of NORD/LB’s business model, is given.

Extended Risk Report

Risk-Bearing Capacity

The risk-bearing capacity of NORD/LB has been calculated on the basis of the model approach (Risk Appetite Control Engine, or RACE) since the first quarter of 2017.

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

As the restructuring thresholds were likely to be missed, the Bank decided on 5 February 2019 to switch to the restructuring situation. In connection with this, risk appetite was temporarily increased for management purposes during the restructuring phase. This refers to the fact that the calculation of risk capital and the derivation of risk limits are based on the assumption of reduced internal requirements for the capital ratios CET1 and T1. This means the RACE model approach will remain in force unchanged; the changed management parameters will apply until the planned capital measures are implemented. The supervisory authority was informed of this.

As at 30 June 2019 the risk strategy and regulatory requirements regarding capital (CET1, T1 and total capital) are clearly not met.

From a normative perspective, the minimum requirements (CRR Art. 92 plus P2R - Pillar -2 requirements of the ECB) for CET1 and T1 capital ratios were not met. However, the 5.25 per cent (CET1) and 6.75 per cent (T1) thresholds adopted for managing economic risk potential during the restructuring phase are complied with.

From an economic perspective, a maximum risk coverage amount of € 2,717 million is calculated as at 30 June 2019, taking the increased risk appetite into account. The aggregated risk potential of € 2,496 million (based on a confidence level of 99.9 per cent) implies a risk capital utilisation of 91.9 per cent and is fully covered.

Risk limits are monitored based on the threshold values for controlling during the restructuring phase. The reduced overall limit of € 2,660 billion is sufficient to cover the risk positions as at 30 June 2019. The risk capital available as of the reporting date exceeds the reduced overall limit; so the overall limit is covered by the internal risk capital.

With the overall level of risk potential remaining almost unchanged, a shift within the risk types occurred. The reduction in the overall exposure continued in the 2019 financial year, reducing counterparty risk. Main driver was the shipping segment, partly due to the active portfolio reduction. The increase in market price risk is primarily attributable to the increase in interest rate risk, in particular to the interest rate risk from pension commitments contained therein and increased in the reporting period, as well as the refinement of methods for calculating income-oriented interest-rate risk. The increase in liquidity risk largely resulted from a remodelling of savings and demand deposits, which led to a burden on the front maturity bands of the liquidity maturity balance sheet. The value-at-risk in operational risk rose due to the revision of the internal scenarios for general IT risks in connection with the processing of existing ECB statements. Most of the risk potential results from counterparty and market-price risks.

As a result of the increases in risk potential, the internal risk-strategic requirements regarding the permissible limit utilisation in market-price risk and operational risk were slightly exceeded as of the current reporting date. Assuming a temporary increase in risk appetite, however, the requirements regarding allocation to the main risk types are complied with, taking into account the maximum permissible bandwidths. The limit overruns are currently reviewed as part of the regular limit adjustment in the context of ongoing RBC planning against the background of long-term adjustment requirements.

Risk-bearing capacity[1]	30 Jun. 2019	31 Dec. 2018[2]
Normative perspective		
Common equity tier 1 capital (in € million)	2 949	2 976
Regulatory risk potentials (in € million)	3 557	3 592
Common equity tier 1 capital ratio (in %)	6.63%	6.63%
Tier 1 capital ratio (in %)	7.34%	7.53%
Total capital ratio (in %)	12.51%	12.67%
Economic perspective		
Total risk potential (in € million)	**2 496**	**2 405**
Counterparty risk	965	1 139
Market-price risk	1 064	886
Liquidity risk	100	54
Operational risk	367	325
Risk capital (in € million)	**2 717**	**2 725**
Risk capital utilisation (in %)	**91.9%**	**88.3%**
Market-price risk (resolution case)	**1 239**	**1 210**[3]

[1] Total differences are rounding differences.
[2] The regulatory reporting data as at 31 December 2018 have been restated due to changes in regulatory requirements for the presentation of Pillar II requirements and due to corrections (for corrections see Note (2) Restatement of previous year figures).
[3] The previous year's figure has been adjusted.

Counterparty Risk

Counterparty risk comprises credit risk and investment risk.

Developments in credit risk

The maximum amount of default risk exposure for on-balance sheet and off-balance sheet financial instruments stood at € 152.3 billion on the reporting date and fell by 4 per cent in the reporting year. The reductions were mainly related to financial assets that were recognised at amortised cost or at fair value directly in equity.

Risk-bearing financial instruments (in € million)	Maximum default risk 30 Jun. 2019	Maximum default risk[1)] 31 Dec. 2018
Trading assets	10 328	8 963
Financial assets at fair value through profit or loss	3 097	3 443
Financial assets at fair value through other comprehensive income	19 291	20 548
Financial assets at amortised costs	107 971	114 041
Positive fair values from hedge accounting derivatives	1 185	1 152
Balancing items for financial instruments hedged in in the portfolio fair value hedge	287	114
Shares in companies	351	338
Sub-total	**142 510**	**148 599**
Contingent Liabilities and other Obligations after deducting loan provisions	9 804	10 789
Total	**152 314**	**159 388**

[1)] For individual items, the previous years´s figures have been adjusted, see Note (2) Restatement of previous year´s figures.

In contrast to the following tables on total exposure, which are based on internal data provided to management, the maximum default risk exposure in the table above is reported at carrying amounts or at fair value. The maximum default risk exposure (Exposure at Default - EaD) for the utilisation of irrevocable loan commitments or other off-balance sheet items corresponds to all committed lines.

The variations between the total exposure in accordance with internal reporting and the maximum amount of default risk exposure are due to differences in areas of application, the definition of total exposure for internal purposes, and differences in accounting policies.

The calculation of total exposure is based on utilisation (in the case of guarantees the nominal value and in the case of securities the carrying amount) and the credit equivalents resulting from derivatives (including add-ons and taking account of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral provided to the NORD/LB Group is not taken into account. Investments are also included in the total exposure.

Analysis of the total exposure

As at 30 June 2019, the NORD/LB Group’s total exposure was € 162 billion and is thus significantly lower year-on-year (€ 178 billion). The focus of the total exposure continues to be on the very good to good rating classes.

The classification is based on the standard IFD rating scale, which has been agreed by the banks, savings banks and associations that belong to the “Initiative Finanzstandort Deutschland” (Initiative for Germany as a Financial Centre). This rating scale is intended to make it easier to compare the rating classes of the individual credit institutions. NORD/LB uses the 27 rating classes of the DSGV rating master scale aligned with the IFD categories.

The Rating Structure table shows the breakdown of the total exposure of the NORD/LB Group by IFD rating class, subdivided into product types.

Rating Structure[1)2)] (in € million)	Loans 30 Jun.2019	Securities[3)] 30 Jun.2019	Derivates[4)] 30 Jun.2019	Other[5)] 30 Jun.2019	Total exposure 30 Jun.2019	Total exposure 31 Dec. 2018
very good to good	84 437	22 283	7 262	16 937	130 920	142 644
stage 1[6)]	82 065	4 970	2 586	16 929	106 550	116 503
stage 2	453	–	–	2	456	1 015
fair value	1 918	17 314	4 676	6	23 914	25 127
good / satisfactory	10 711	1 916	272	1 558	14 457	15 759
stage 1	10 280	–	27	1 552	11 859	12 891
stage 2	431	603	–	6	1 040	1 341
fair value	–	1 313	245	–	1 558	1 527
reasonable / satisfactory	4 921	203	84	995	6 203	5 797
stage 1	4 550	–	12	887	5 450	5 057
stage 2	364	186	–	108	658	630
fair value	7	17	71	–	95	110
increased risk	3 306	195	167	390	4 058	3 965
stage 1	2 592	96	93	345	3 126	2 997
stage 2	632	54	–	45	731	915
fair value	82	45	74	–	201	53
high risk	1 197	–	5	90	1 291	1 239
stage 1	711	–	–	27	738	680
stage 2	480	–	–	63	544	535
fair value	5	–	4	–	10	24
very high risk	993	2	6	60	1 061	1 136
stage 1	318	–	–	2	320	300
stage 2	666	–	–	59	724	786
fair value	9	2	6	–	17	50
default (=NPL)[7)]	4 283	–	35	110	4 427	7 054
stage 3	3 879	–	18	110	4 007	6 370
fair value	404	–	17	–	421	683
Total	**109 848**	**24 599**	**7 831**	**20 140**	**162 417**	**177 594**
stage 1	100 517	5 065	2 719	19 741	128 042	138 429
stage 2	3 026	844	–	283	4 153	5 221
stage 3	3 879	–	18	110	4 007	6 370
fair value	2 426	18 690	5 094	6	26 216	27 573

1) The ratings are assigned on the basis of the initiative for Germany as a financial center (IFD) rating classes.
2) Differences in totals are rounding differences.
3) Includes the securities holdings of third-party issues (only banking book).
4) Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.
5) Includes other products such as pass-through and administered loans.
6) The levels of risk provisioning are shown.
7) The net amount after fair value deduction is shown as follows.

Total credit exposure fell by € 15.2 billion in the period under review, with positions in the “very good to good” rating category falling by € 11.7 billion. The reduction in the exposure is primarily due to a € 10.5 billion fall in amounts vis-à-vis financing institutes and insurance companies as well as a € 2.8 billion drop in the ship segment (€ 2.6 billion of which was due to the Big Ben transaction). The NPL ratio also fell to 2.7 per cent (4.0 per cent) by a reduction in ship valuations.

As a proportion of the total exposure, there was a small increase in the “very good to good” rating category to 81 per cent (80 per cent), reflecting the continued great importance of business with public authorities and with financing institutions with good credit ratings, while at the same time reflecting the NORD/LB Group’s risk policy.

Industries by risk provisioning level[1)2)] (in € million)	stage 1[3)] 30 Jun.2019	stage 2 30 Jun.2019	stage 3 30 Jun.2019	Fair Value 30 Jun.2019	Total exposure 30 Jun.2019	Total exposure 31 Dec. 2018
Financing institutes / insurance companies	44 261	827	42	11 194	56 323	66 851
Service industries / other	48 964	1 772	313	10 010	61 059	62 248
Of which: Land, housing	16 995	529	61	390	17 975	17 615
Of which: Public administration	17 673	521	17	8 521	26 732	28 332
Transport / communications	6 392	679	3 116	1 501	11 688	14 702
Of which: Shipping	2 067	476	3 060	448	6 051	8 804
Of which: Aviation	1 110	118	39	20	1 286	1 567
Manufacturing industry	5 846	260	89	1 597	7 792	7 318
Energy, water and mining	15 328	292	259	1 356	17 234	17 043
Trade, maintenance and repairs	3 651	211	48	340	4 251	4 331
Agriculture, forestry and fishing	2 058	75	120	1	2 255	2 140
Construction	1 539	36	20	203	1 797	1 684
Other	4	–	–	14	17	1 277
Total	**128 042**	**4 153**	**4 007**	**26 216**	**162 417**	**177 594**

1) The figures are reported, as in the internal reports, by economic criteria.
2) Differences in totals are rounding differences.
3) The levels of risk provisioning are shown (net after fair value deduction).

Industries by products[1)2)] (in € million)	Loans 30 Jun.2019	Securities[3)] 30 Jun.2019	Derivates[4)] 30 Jun.2019	Other[5)] 30 Jun.2019	Total exposure 30 Jun.2019	Total exposure 31 Dec. 2018
Financing institutes / insurance companies	32 132	12 828	2 652	8 711	56 323	66 851
Service industries / other	47 307	10 325	1 651	1 777	61 059	62 248
Of which: Land, housing	16 996	3	534	442	17 975	17 615
Of which: Public administration	16 134	10 119	311	169	26 732	28 332
Transport / communications	10 069	352	797	469	11 688	14 702
Of which: Shipping	5 880	–	39	132	6 051	8 804
Of which: Aviation	1 266	–	20	–	1 286	1 567
Manufacturing industry	5 596	441	1 183	572	7 792	7 318
Energy, water and mining	8 855	539	1 043	6 797	17 234	17 043
Trade, maintenance and repairs	3 550	61	327	312	4 251	4 331
Agriculture, forestry and fishing	793	–	6	1 457	2 255	2 140
Construction	1 542	38	172	45	1 797	1 684
Other	4	14	–	–	17	1 277
Total	**109 848**	**24 599**	**7 831**	**20 140**	**162 417**	**177 594**

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

The breakdown of total exposure by industry shows that business conducted with generally relatively low-risk financing institutions and with public authorities accounts for 51 per cent (54 per cent) and furthermore constitutes a significant share of the total exposure.

The breakdown of the total exposure by region shows that the eurozone accounts for a hefty 82 per cent (82 per cent) of the total exposure and remains by far the most important business region for the NORD/LB Group. Germany's share of this is 67 per cent (67 per cent).

Regions[1)2)] (in € million)	Loans 30 Jun.2019	Securities[3)] 30 Jun.2019	Derivates[4)] 30 Jun.2019	Other[5)] 30 Jun.2019	Total exposure 30 Jun.2019	Total exposure 31 Dec. 2018
Euro countries	91 031	18 746	4 098	19 576	133 451	145 259
Of which: Germany	75 563	12 278	2 460	18 343	108 644	119 239
Other Europe	8 463	2 234	2 636	532	13 865	15 613
North America	4 831	2 508	395	–	7 734	8 345
Middle and South America	1 848	6	24	–	1 878	1 964
Middle East / Africa	651	7	–	31	689	800
Asia / Australia	3 013	1 099	676	–	4 788	5 613
Other	11	–	–	–	11	–
Total	**109 848**	**24 599**	**7 831**	**20 140**	**162 417**	**177 594**

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

Exposure in Greece, Ireland, Italy, Portugal and Spain stands at € 5 billion (€ 5 billion). Their share of the total exposure is 3.3 per cent (2.8 per cent). The amount of receivables from the respective countries, regional governments and municipalities slipped to € 0.8 billion (€ 0.9 billion). This translates into 0.5 per cent (0.5 per cent) of the total exposure.

30 Jun. 2019 **Exposure in selected European countries**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign Exposure	–	–	651	–	137	788
Financing institutes / insurance companies	–	283	27	–	554	864
Corporates / Other	–	2 918	447	55	225	3 645
Total	**–**	**3 201**	**1 124**	**55**	**915**	**5 296**

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

31 Dec. 2018 **Exposure in selected European countries**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign Exposure	–	19	743	60	86	908
Financing institutes / insurance companies	–	256	26	–	609	890
Corporates / Other	2	2 479	421	63	232	3 197
Total	**2**	**2 753**	**1 190**	**124**	**926**	**4 995**

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

30 Jun. 2019 **Sovereign Exposure in selected European countries by maturity**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	–	124	–	100	224
more than 1 up to 5 years	–	–	55	–	36	91
more than 5 years	–	–	473	–	–	473
Total	**–**	**–**	**651**	**–**	**137**	**788**

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

31 Dec. 2018 **Sovereign Exposure in selected European countries by maturity**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	19	111	60	50	240
more than 1 up to 5 years	–	–	179	–	35	214
more than 5 years	–	–	454	–	–	454
Total	**–**	**19**	**743**	**60**	**86**	**908**

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

The NORD/LB Group has an exposure of € 205 million (€ 634 million) in Cyprus in the Corporates / Other category. This primarily concerns the ship financing portfolio whose economic risk lies outside of Cyprus. In Australia the NORD/LB Group has an exposure of € 727 million (including € 342 million with Financing institutes / insurance companies and € 380 million with Corporates/Other). The investments in Australia include, for example, structured finance customers relating to solar farm installations that really reflect NORD/LB's commitment to renewable energies. In China NORD/LB has an exposure of € 567 million (€ 291 million with Corporates/Other and € 250 million with Financing institutes / insurance companies and a € 26 million Sovereign Exposure). The Bank is also represented in China as a partner of German companies, but the focus is on aircraft financing and credit institutions. In Poland NORD/LB has an exposure of € 561 million (€ 419 million with Corporates/Other, and a € 141 million Sovereign Exposure). NORD/LB also closely monitors and analyses significant developments in other countries. However, the Bank does not consider it necessary to make any valuation allowances at this stage.

In addition to direct exposure, the reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount), and the credit equivalent resulting from derivatives (including add-ons and with due consideration of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral provided to the NORD/LB Group is not taken into account. Sovereign exposure also includes exposure to regional governments, municipalities and state-affiliated companies with a guarantee of the respective state.

Developments in investment risk

In the reporting period, a full sale of one company took place and another company was written down. As a result, the risk induced by the investment portfolio was significantly reduced.

Market-Price Risk

Several changes took place during the reporting year in the markets that are relevant for NORD/LB. In the reporting period, capital market yields in the eurozone fell significantly, with the yield curve flattening due to a deterioration in economic expectations. Yields in US dollars also fell sharply. Due to the continued high demand in the market from investors, credit spreads in many asset classes also tightened during the reporting period, and share indices made gains.

The resolution case scenario of the risk-bearing capacity model is based on a complete present value calculation of market-price risks. In contrast, the business case scenario focuses on market-price risks which impact the capital ratios of the NORD/LB Group in line with IFRS accounting standards via the income statement or other comprehensive income (OCI). The interest-rate risks in the investment book are thus integrated into total risk in the business case scenario via an income-oriented earnings-at-risk approach. From the risk strategy perspective, market-price risks were divided into the three blocks: “Trade and investments”, “Treasury and bank management” and “Central valuation effects (IFRS)”. In the resolution case, the “Treasury and bank management” block dominates the overall risk, whereas in the business case the “Central valuation effects” block contributes the highest risk amount.

When determining market-price risks, the process of historic simulation is applied uniformly across the entire Group. The value-at-risk (VaR) is calculated in the analyses of risk-bearing capacity at a confidence level of 99.9 per cent and a holding period of 250 business days.

As at 30 June 2019, VaR (99.9 per cent, 250-day holding period) for the NORD/LB Group was calculated at € 1,064 million in the business case. This corresponds to an increase of 20 per cent compared with the same date in the previous year (31 December 2018: € 886 million). The VaR in the resolution case was almost unchanged at € 1,239 million (31 December 2018: € 1,210 million).

Market-Price Risks[1]	Business Case			Resolution Case		
in € million	30 Jun. 2019	31 Mar. 2019	31 Dec. 2018	30 Jun. 2019	31 Mar. 2019	31 Dec. 2018
Interest-rate risk	712	560	529	746	755	599
Credit-spread-risk	565	578	595	920	948	975
Currency risk	65	71	79	59	65	68
Stock price and fund price risk	28	33	27	28	33	27
Votality risk	7	8	19	19	18	21
Other add-ons	18	18	18	43	43	45
Total risk[2]	**1 064**	**934**	**886**	**1 239**	**1 330**	**1 210**[3]

[1] Value at Risk (99.9 percent, 250-day holding period).
[2] Due to diversification effects, the overall risk is smaller than the sum of the individual risks.
[3] The previous year's figure was adjusted.

The risks as at 30 June 2019 correspond to a 105 per cent utilisation of the corresponding limits in the business case and a 62 per cent utilisation in the resolution case. The increase in the business case is due to an increase in interest-rate risk (+ € 183 million). In particular, the interest-rate risk from pension commitments (+ € 150 million), which was included in this figure and increased in the reporting period, is responsible for the limit being exceeded in the business case. The lower interest rate in conjunction with the flattening of the yield curve led to an increase in the present value of pension commitments and to an increase in risk as a result.

This was only partially mitigated by positive valuation effects from securities in the “Hold and sell” category. Countermeasures are currently being checked due to limit breaches.

Furthermore, methodological improvements and refinements in the calculation of income-oriented interest-rate risk led to an increase in business case risk in the second quarter. In particular, the margin change risks from unlimited deposits were integrated into risk measurement. The earnings-at-risk calculation was also switched from scaled daily changes to observed annual interest rate changes in order to better reflect the nature of the risk indicator. (The EaR represents the risk of a change in net interest income in the coming twelve months, so that a derivation from one-year interest rate paths is more transparent and comprehensible than scaling historical daily changes). For this reason, as the leading and limited management metric for the income-oriented interest-rate risk in the banking book the earnings-at-risk is no longer correlated with the other types of market-price risk, but added to the other market-price risks in the business case of risk-bearing capacity.

The operational limiting of the individual sub-portfolios in the trade and treasury arms of the relevant units of the NORD/LB Group is implemented by way of corresponding sub-limits, which are derived from the total limits for market-price risks for the NORD/LB Group. The operational limiting of the corresponding VaR ratios is implemented partly with other parameters (confidence level, holding period) as in the risk-bearing model. For NORD/LB AöR, a confidence level of 95 per cent and holding period of one trading day are applied in operational limiting. The cash-value risk ratios of the key sub-portfolios in the NORD/LB Group are determined daily.

The following chart shows the development of the correlated value-at-risk, as calculated each day, in the cash-value perspective (resolution case) for the key sub-portfolios of the relevant units of the NORD/LB Group. In the "Trade and investments" block referred to above, for NORD/LB AöR, this means the customer-based trade in the field of markets and the share and credit investments entered into within the framework of RWA management at the Bank Assets Allocation department and OU Credit Asset Management. The "Treasury and bank management" block is broken down into the corresponding sub-portfolios of NORD/LB AöR, Deutsche Hypothekenbank and NORD/LB Covered Bond Bank (CBB). For reasons of comparability, the VaR ratios of the subsidiaries Deutsche Hypothekenbank and NORD/LB CBB are indicated in the chart based on parameters used by NORD/LB, even if the subsidiaries use other parameters in their operational management.

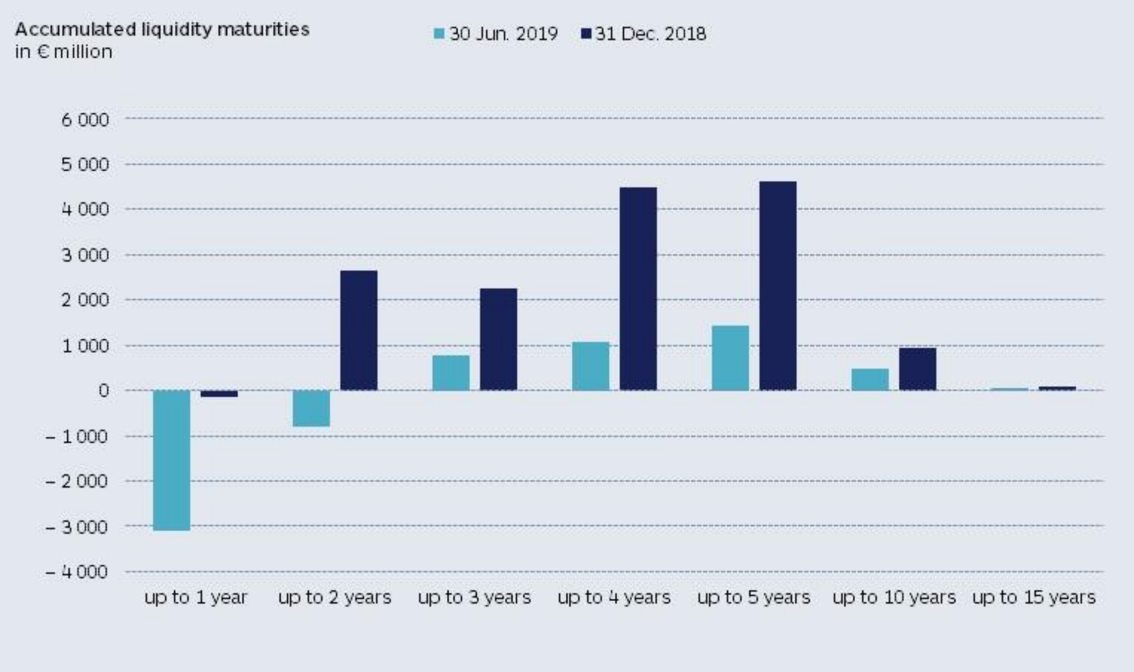
The fall in the VaR of the NORD\LB interest book management unit in January 2019 is due to the methodological elimination of loss scenarios from the period under review (one year) of the historical simulation. Moreover, the modelling of customer deposits was changed at the start of the year and an open interest position arising from this was maintained and gradually reduced.

Liquidity Risk

The market-wide liquidity situation eased further during the reporting period, in particular as a result of measures implemented by the European Central Bank. For NORD/LB, the focus is on the ongoing shipping crisis and the accompanying capital requirements and the ongoing capital increase process by the owners. This situation is taken into account in the daily liquidity stress tests. NORD/LB continues to have adequate liquidity at its disposal.

The measures still to be implemented, the realignment of the business model and the outstanding approvals from the regulator and the European Commission could make investors reluctant to invest for the long term, which could significantly negatively impact the NORDLB Group’s funding. If there are delays injecting capital, affecting how market participants respond, this could have a negative impact on the Bank's planned liquidity position. In addition, the further decline in interest rates may lead to a change in customer investment behavior.

The internal liquidity stress scenario relevant for management purposes was controlled in the reporting period for the NORD/LB Group in the green phase and as at the reporting date the liquidity was satisfactory. The liquidity buffers were maintained for one week and one month, in accordance with the Minimum Requirements for Risk Management (MaRisk). The cumulative liquidity maturity balance sheet of the NORD/LB Group has liquidity gaps of up to one and up to two years, as shown by the sampling points. All other maturities reveal a liquidity surplus. The model change from January 2019, which includes a remodelling of savings and demand deposits over a shorter period of time, is placing a (in some cases) significant burden on the liquidity maturity balance sheet, particularly in the front maturity bands of up to two years. The liquidity spread risk of NORDLB and the NORDLB Group was adjusted in January 2019. This is limited by present value limits and volume structure limits for the various maturities derived from the risk-bearing capacity. The liquidity gap is within the limits derived from the risk-bearing capacity model. At NORD/LB Group level the limits were respected as at the reporting date, when taking all currencies into account.



The NORD/LB Group is active in highly liquid markets and maintains a portfolio of high-quality securities. As at the reporting date, the material companies of the NORD/LB Group held securities worth € 34 billion (€ 37 billion), of which 82 per cent (72 per cent) were suitable for repo transactions with the European Central Bank (ECB). As per 30 June 2019, the liquidity coverage ratio (LCR) stands at 151.7 per cent (previous year: 150.3 per cent).

Operational Risk

NORD/LB uses the standard approach of CRD IV (Pillar I) to calculate the capital requirement. At Group level, this requirement as at 30 June 2019 amounted to € 321 million (€ 392 million). As at the reporting date, the losses of the NORD/LB Group stood at € 10.4 million (full-year 2018: € 4.1 million). The significant increase in the losses is driven by increased replacement costs of € 6.9 million in the context of the “Big Ben” portfolio transaction from the “Internal procedures” cause category.

Adherence to the principles for preventing the financing of terrorists is ensured at the NORD/LB Group as part of the comprehensive protection and prevention measures put in place by Compliance. Under integrated OpRisk management, the tools used are continuously being refined and optimised.

Overall Assessment

The NORD/LB Group started 2019 as expected. The economic environment remains challenging, inter alia in view of the persistent low interest-rate period, economic downturn and movements in exchange rates. After high shielding of the shipping portfolio in 2018 and the transfer of a ship financing portfolio to an investor, the main challenges for the financial year 2019 will be the further reduction of the remaining NPL shipping portfolio, the implementation of the capital measures agreed upon by the Bank's owners, combined with an improvement in the financial and risk situation, and the realignment of the NORD/LB Group. The following assessment is based on the current forecast presented to the EU Commission in August.

Earnings on the basis of the customer-oriented business model with diversified sources of income are significantly up on the previous year and are expected to be almost slightly below target at the end of the year due to the forecast growth. The tangible improvement anticipated in net commission income and significant increase in profit from fair value measurement are offset by moderate declines in net interest income as well as significant declines in net gains on disposals of financial instruments not measured at fair value through profit or loss and other results. The sale of investments is expected to make a significantly positive contribution to the profit from shares in companies in the 2019 forecast.

Following the further shielding of the ship financing portfolio in 2018, risk provisioning is expected to be considerably lower in 2019 than in the previous year. In the forecast for 2019, administrative expenses are anticipated to be slightly lower than planned and the previous year's level. In the current forecast for 2019, the significantly higher expenditure planned in comparison with the previous year for reorganisation and restructuring measures as part of the realignment and redimensioning of NORD/LB is forecast to be considerably lower than the plan approved by the Supervisory Board in view of the still outstanding approval of the EU Commission.

All in all, these developments in the forecast for 2019 mean that earnings before restructuring will run out in the low positive three-digit million range. But earnings before taxes will be significantly negative, although much less negative than planned and what they were in the previous year, due to the restructuring expenses. In 2019, the CIR improved markedly compared with the previous year due to a big increase in earnings, with administrative expenses remaining almost constant; RoE stayed negative due to the planned restructuring expenses.

For 2019, a significantly lower total risk exposure amount (risk-weighted assets or RWA) is anticipated compared with the previous year, primarily as a result of NPL reductions and the associated risk reductions in the ship financing portfolio, as well as the redimensioning of further portfolios. However, the redemption of portfolios securitised for hedging purposes had a declining positive effect. t. The planned value of the total risk exposure amount will be slightly exceeded in the forecast for 2019.

As planned, the NORD/LB Group's total assets will also fall in 2019 as planned, in line with the total risk exposure amount.

The forecast of the NORD/LB Group for 2019 includes several measures taken by the owners of the Bank and the Savings Bank Financial Group to strengthen capital, in particular an increase in the share capital plus a premium of approximately € 2.8 billion and other capital-boosting measures, with a capital equivalent of amount of about € 800 million. The Bank currently expects these measures to be implemented in H2 2019. Once the measures have been implemented, the Tier 1 capital ratio will increase significantly by the end of 2019 and exceed all regulatory requirements and binding requirements of the banking supervisory authorities and the resolution authorities in respect of the provision of regulatory capital.

There are general opportunities but also risks in implementing the new business model and in implementing the capital measures envisaged by the Bank's current and future owners with the resulting effects on the NORD/LB Group’s equity ratios. The approval of the bank supervisory authorities and the EU Commission for the measures currently being prepared and their implementation is the prerequisite for achieving the target figures for 2019. There are still opportunities and risks in the planned reduction of the remaining NPL ship financing portfolio and in possible rating changes for NORD/LB.

In 2019, there will also be opportunities and risks for the earnings situation in the event of deviations from planning assumptions in the economic forecast, such as yield curves, exchange rates and the economic situation. Earnings growth may be helped or hindered by the continuing low interest rate phase, market-induced valuation effects, the potentially non-permanent unrestricted availability of long-term uncovered funding, the impact from the redesign of the Brexit, an easing or worsening of the sovereign debt crisis, measurement effects from investments, the unpredictability of market disruptions due to political or economic developments, the danger of terrorist attacks and geopolitical tensions. If the capital, earnings and costs targeted by the implementation of overall Bank projects for the realignment of the Group cannot be implemented, or can only be implemented to a lesser extent, there may be negative consequences for earnings before taxes and the NORD/LB Group’s equity capital position.

Condensed Interim Consolidated Financial Statements as at 30 June 2019

Income Statement

	Notes	1 Jan.-30 Jun. 2019 (in € million)	1 Jan.-30 Jun. 2018[1] (in € million)	Change (in %)
Interest income from assets		2 780	3 093	– 10
Interest expenses from assets		26	33	– 21
Interest expenses from liabilities		2 315	2 482	– 7
Interest income from liabilities		57	40	43
Net interest income	**6**	**496**	**618**	**– 20**
Commission income		139	126	10
Commission expenses		89	98	– 9
Net commission income	**7**	**50**	**28**	**79**
Profit/loss from financial assets at fair value	8	195	– 36	> 100
Risk provisioning	9	– 1	– 31	– 97
Disposal profit/loss from financial assets that are not measured at fair value through profit or loss	10	– 10	30	> 100
Profit/loss from hedge accounting	11	14	– 12	> 100
Profit/loss from shares in companies		13	11	18
Profit/loss from investments accounted for using the equity method		20	11	82
Administrative expenses	12	487	522	– 7
Other operating profit/loss	13	– 39	– 29	34
Earnings before restructuring, reorganisation and taxes		**251**	**68**	**> 100**
Restructuring expenses	14	–	14	– 100
Reorganisation expenses	15	71	30	> 100
Earnings before taxes		**180**	**52**	**> 100**
Income taxes	16	31	– 2	> 100
Consolidated profit		**149**	**54**	**> 100**
of which: attributable to the owners of NORD/LB		152	64	
of which: attributable to non-controlling interests		– 3	– 10	

[1] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year's figures.

Statement of Comprehensive Income

The statement of comprehensive income for NORD/LB Group is comprised of the income and expenses recognised in the income statement and in other comprehensive income (OCI).

	1 Jan.-30 Jun. 2019 (in € million)	1 Jan.-30 Jun. 2018 (in € million)	Change (in %)
Consolidated profit	**149**	**54**	**> 100**
Changes in equity instruments at fair value through other comprehensive income			
Investments accounted for using the equity method - Share of other operating profit/loss	– 13	1	> 100
Changes in designated financial liabilities at fair value through profit or loss due to changes in credit risk	– 70	– 53	32
Revaluation of the net liability from defined benefit pension plans	– 359	6	> 100
Deferred taxes	77	15	> 100
	– 365	**– 31**	**> 100**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions			
Changes in financial assets at fair value through other comprehensive income			
Unrealised profit/losses	279	– 86	> 100
Reclassification due to profit/loss realisation including reclassifications to financial assets at fair value	– 48	– 21	> 100
Investments accounted for using the equity method - Share of other operating profit/loss	41	– 22	> 100
Unrealised profit/losses	–	– 1	– 100
Deferred taxes	– 89	41	> 100
	183	**– 89**	**> 100**
Other profit/loss	**– 182**	**– 120**	**52**
Comprehensive income for the period under review	**– 33**	**– 66**	**– 50**
of which: attributable to the owners of NORD/LB	– 30	– 56	
of which: attributable to non-controlling interests	– 3	– 10	

Balance Sheet

Assets	Notes	30 Jun.2019 (in € million)	31 Dec.2018[1] (in € million)	Change (in %)
Cash reserve		494	1 519	– 67
Trading assets	17	10 328	8 963	15
of which: Loans and advances to banks		*–*	*–*	–
of which: Loans and advances to customers		*355*	*251*	41
Financial assets mandatorily at fair value through profit or loss	17	3 097	3 443	– 10
of which: Loans and advances to banks		*108*	*104*	4
of which: Loans and advances to customers		*625*	*789*	– 21
Financial assets at fair value through other comprehensive income	18	19 291	20 548	– 6
of which: Loans and advances to banks		*754*	*804*	– 6
of which: Loans and advances to customers		*984*	*1 005*	– 2
Financial assets at amortised costs	19	107 971	114 041	– 5
of which: Loans and advances to banks		*19 778*	*24 498*	– 19
of which: Loans and advances to customers		*83 784*	*85 168*	– 2
Positive fair values from hedge accounting derivatives		1 185	1 152	3
Balancing items for financial instruments hedged in in the portfolio fair value hedge		287	114	>100
Shares in companies	20	351	338	4
Investments accounted for using the equity method		158	173	– 9
Property and equipment	21	453	385	18
Investment property		86	86	–
Intangible assets	22	143	136	5
Assets held for sale	23	42	851	– 95
Current income tax assets		29	38	– 24
Deferred income taxes		449	431	4
Other assets		939	1 794	– 48
Total assets		**145 303**	**154 012**	**– 6**

[1] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year’s figures.

Liabilities	Notes	30 Jun.2019 (in € million)	31 Dec.2018[1] (in € million)	Change (in %)
Trading liabilities	24	4 009	3 681	9
Financial liabilities designated at fair value through profit or loss	24	7 861	7 767	1
of which: Liabilities to banks		*365*	*388*	– 6
of which: Liabilities to customers		*4 163*	*3 941*	6
of which: Securitised liabilities		*3 333*	*3 438*	– 3
Financial liabilities at amortised costs	25	122 547	133 483	– 8
of which: Liabilities to banks		*38 477*	*43 856*	– 12
of which: Liabilities to customers		*54 810*	*58 506*	– 6
of which: Securitised liabilities		*28 496*	*30 379*	– 6
of which: Subordinated liabilities		*3 496*	*3 456*	1
Negative fair values from hedge accounting derivatives		2 180	1 771	23
Balancing items for financial instruments hedged in in the portfolio fair value hedge		1 164	734	59
Provisions	26	3 256	2 869	13
Liabilities held for sale		–	7	– 100
Current income tax liabilities		44	53	– 17
Deferred income taxes		63	43	47
Other liabilities		836	250	> 100
Equity				
Issued capital		1 607	1 607	–
Capital reserves		982	3 332	– 71
Retained earnings		1 342	– 1 146	> 100
Accumulated OCI		– 587	– 412	42
Currency translation reserve		– 11	– 11	–
Equity capital attributable to the owners of NORD/LB		**3 333**	**3 370**	**– 1**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		– 40	– 66	– 39
		3 343	**3 354**	**– 0**
Total liabilities		**145 303**	**154 012**	**– 6**

[1] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year’s figures.

Condensed Statement of Changes in Equity

(in € million)	Issued capital	Capital reserves	Retained earnings	Accumulated OCI	Currency translation reserve	Equity capital attributable to the owners of NORD/LB	Additional equity	Equity capital attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2019[1)]	**1 607**	**3 332**	**– 1 146**	**– 412**	**– 11**	**3 370**	**50**	**– 66**	**3 354**
Adjusted comprehensive income for the period under preview	–	–	152	– 182	–	– 30	–	– 3	– 33
Changes in the basis of consolidation	–	–	– 7	–	–	– 7	–	29	22
Other changes in capital	–	– 2 350	2 343	7	–	–	–	–	–
Equity as at 30 Jun. 2019	**1 607**	**982**	**1 342**	**– 587**	**– 11**	**3 333**	**50**	**– 40**	**3 343**

(in € million)	Issued capital	Capital reserves	Retained earnings	Accumulated OCI	Currency translation reserve	Equity capital attributable to the owners of NORD/LB	Additional equity	Equity capital attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2018	**1 607**	**3 332**	**1 266**	**– 168**	**– 10**	**6 027**	**50**	**– 61**	**6 016**
Adjusted comprehensive income for the period under preview	–	–	64	– 119	– 1	– 56	–	– 10	– 66
Changes in the basis of consolidation	–	–	– 36	–	–	– 36	–	30	– 6
Other changes in capital	–	–	– 6	3	–	– 3	–	–	– 3
Equity as at 30 Jun. 2018	**1 607**	**3 332**	**1 288**	**– 284**	**– 11**	**5 932**	**50**	**– 41**	**5 941**

[1)] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year’s figures.

Other changes in capital include a reclassification between capital reserves and retained earnings for loss compensation in the amount of € 2 350 million.

Condensed Cash Flow Statement

	1 Jan. - 30 Jun. 2019 (in € million)	1 Jan. - 30 Jun. 2018 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**1 519**	**2 436**	**– 38**
Cash flow from operating activities	– 960	– 1 181	– 19
Cash flow from investing activities	– 11	– 2	> 100
Cash flow from financing activities	– 63	– 128	– 51
Total cash flow	**– 1 034**	**– 1 311**	**– 21**
Effects of changes in exchange rates	9	–	–
Cash and cash equivalents as at 30 June	**494**	**1 125**	**– 56**

The cash flow statement does not substitute for liquidity or financial planning in the NORD/LB Group, nor is it used as a management tool. For information about the taxation of the liquidity risk at the NORD/LB Group, please see the risk report.

Selected Notes

General Disclosures

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

The interim consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg, (NORD/LB) as at 30 June 2019 were prepared based on Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that are applicable within the European Union. The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. The national provisions of the German Commercial Code (HGB) were also observed under § 315e HGB, to the extent applicable for the interim financial statements. The interim consolidated financial statements are to be read in conjunction with the information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2018.

NORD/LB, as a group established under commercial law, is referred to below as the NORD/LB Group. The interim consolidated financial statements as at 30 June 2019 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and selected notes. The segment reporting is included in the notes. The reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is provided mainly in a risk report within the interim Group management report.

The reporting currency for the interim financial statements is euro. All amounts are reported rounded in euro millions (€ million) unless indicated otherwise. The figures for the previous year are indicated in brackets below.

Assumption of going concern
In the last few years, the continuing crisis in commercial shipping has led successively to rising non-performing loan portfolios as well as to major loan loss provision requirements with corresponding pressure on regulatory capital ratios for NORD/LB and the NORD/LB Group. Similar developments in the financial year 2018 also contributed to a substantial loss for the year. Consequently, NORDLB no longer complied with the regulatory capital ratios as at 31 December 2018 and in H1 2019.

To wind down non-performing ship financing portfolios and create the basis for measures to strengthen the capital ratios, NORDLB, its owners and Deutscher Sparkassen- und Giroverband e. V. (German Savings Banks and Giro Association or DSGV) agreed in a notarised basic agreement dated 21 June 2019 to take measures to strengthen the Bank's capital base and realign it. The main points of this agreement are a capital increase of around € 2.8 billion against cash contributions and alternative capital measures with a CET1 equivalent of around € 0.8 billion. This is intended to prepare the Bank for further increases in regulatory requirements and permanently strengthen its crisis resilience and competitiveness. Besides reducing non-performing loan portfolios, 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 the Group in the coming years.

Until the capital increase is carried out, the minimum capital ratios will remain below the regulatory minimum. The banking regulators have been informed accordingly by NORD/LB.

The capital strategy and business plan for the financial years 2019 to 2024, upon which the Management Board's forecast of the Bank as a going concern is based, take account of the capital injection described, the alternative capital measures and the realignment of the business model. The Bank is currently coordinating with the banking supervisory authorities on the capital strategy and business plan and with the European

Commission on state aid aspects. 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, reach all regulatory requirements.

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 agreed in the basic agreement of 21 June 2019 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 DSGV, with the result that the capital ratios and buffers as well as the thresholds demanded by the regulators will in future be met again,
- 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 demanded by the regulators until the measures pursued to reinforce capital on the level of NORD/LB have been completed,
- all official permits required to implement the plan, particularly from the European 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 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 any 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 implementation of specific measures, we refer additionally to the comments in the interim group management report.

These interim consolidated financial statements were prepared by the Managing Board on 26 August 2019 and approved for publication.

(2) Restatement of previous year's figures

In these interim consolidated financial statements, the previous year's figures were adjusted in the following points based on IAS 8.42:

In the consolidated financial statements as at 31 December 2018, seven loans intended for syndication were reported as financial assets at fair value through profit or loss instead of as trading assets. This creates a transfer of € 91 million between the aforementioned items. This adjustment has no effect on the presentation of the values in the income statement as at 31 December 2018.

In the consolidated financial statements as at 31 December 2018, incorrect assumptions were made with regard to expected cash flows and accrued interest as part of the measurement of the silent participations measured at amortised cost. Due to the terms of the contract, payments are only to be made when a positive result is achieved. In this regard, estimates are necessary that lead to new expected cash flows, which are discounted at the original effective interest rate. The corresponding correction leads to an increase of € 50 million in the carrying amount of the silent participations in relation to the prior year figures in these interim consolidated financial statements. The correction relates to subordinated securitised liabilities within the balance sheet item Financial liabilities measured at amortised cost. The income statement as at 30 June 2018 is not affected by the IAS 8 correction. With respect to the income statement of the consolidated financial statements as of December 31, 2018, effects of €-59 million are recognized in interest income and €-9 million in interest expense. In this context, the disclosure has also been adjusted. Please refer to Note (30) Regulatory data for information on adjustments to regulatory ratios. As at 31 March 2019, silent participations were understated by € 50 million and retained earnings overstated by the same amount. These changes also have a corresponding effect on the regulatory capital ratios. The IAS 8 correction has no material effect on the income statement as at 31 March 2019.

In accordance with IAS 8.14, the following adjustment was made:

As at 30 June 2019, to conform with regulatory requirements, the expenses for the deposit guarantee scheme were shown together with the bank levy under other operating profit/loss instead of under administrative expenses as previously. The previous-year figures of these interim financial statements were restated by € 9 million. For reasons of materiality, the restatement of the income statement as at 30 June 2018 was not presented.

Restatement of balance sheet figures as at 31 December 2018:

31 Dec.2018 (in € million)	Before adjustment	Adjustment syndication	Adjustment silent parti-cipa-tions	After adjustment
Assets				
Cash reserve	1 519	–	–	1 519
Trading assets	8 872	91	–	8 963
of which: Loans and advances to customers	160	91	–	251
Financial assets at fair value through profit or loss	3 534	– 91	–	3 443
of which: Loans and advances to banks	104	–	–	104
of which: Loans and advances to customers	880	– 91	–	789
Further assets	140 087	–	–	140 087
Total assets	**154 012**	**–**	**–**	**154 012**
Liabilities				
Financial liabilities at amortised costs	133 433	–	50	133 483
of which: Liabilities to banks	43 856	–	–	43 856
of which: Liabilities to customers	58 506	–	–	58 506
of which: Securitised liabilities	30 329	–	50	30 379
of which: Subordinated liabilities	3 406	–	50	3 456
Further liabilities	17 175	–	–	17 175
Equity				–
Issued capital	1 607	–	–	1 607
Capital reserves	3 332	–	–	3 332
Retained earnings	– 1 096	–	– 50	– 1 146
Accumulated other OCI	– 412	–	–	– 412
Currency translation reserve	– 11	–	–	– 11
Other equity	–	–	–	–
Equity capital attributable to the owners of NORD/LB	**3 420**	**–**	**– 50**	**3 370**
Additional equity	50	–	–	50
Equity capital attributable to non-controlling interests	– 66	–	–	– 66
	3 404	**–**	**– 50**	**3 354**
Total liabilities and equity	**154 012**	**–**	**–**	**154 012**

Adjustment of consolidated profit and comprehensive income for the period from 1 January to 31 December 2018:

1 Jan. - 31 Dec.2018 (in € million)	Before adjustment	Adjustment silent parti-cipa-tions	Adjustment of Deposit Protection Fund	After adjustment
Interest income from assets	6 154	– 100	–	6 054
Interest expenses from assets	55	–	–	55
Interest expenses from liabilities	4 900	– 9	–	4 891
Interest income from liabilities	80	41	–	121
Net interest income	**1 279**	**– 50**	**–**	**1 229**
Administrative expenses	1 011	–	– 12	999
Other profit/loss	– 45	–	– 12	– 57
further expenses and income	– 2 061	–	–	– 2 061
Result before restructuring, reorganisation and taxes	**– 1 838**	**– 50**	**–**	**– 1 888**
Restructuring expenses	– 133	–	–	**– 133**
Reorganisation expenses	86	–	–	**86**
Earnings before taxes	**– 2 057**	**– 50**	**–**	**– 2 107**
Income taxes	297	–	–	297
Consolidated profit	**– 2 354**	**– 50**	**–**	**– 2 404**
of which: attributable to the owners of NORD/LB	– 2 314	– 50	–	– 2 364
of which: attributable to non controlling interests	– 40	–	–	– 40
Other profit/loss	**– 248**	**–**	**–**	**– 248**
Comprhensive income for the period under review	**– 2 602**	**– 50**	**–**	**– 2 652**
of which: attributable to the owners of NORD/LB	– 2 561	– 50		– 2 611
of which: attributable to non-controlling interests	– 40	–		– 40

The respective restatements were also taken into account in the following notes: (12) Administrative expenses, (13) other operating profit/loss, (17) financial assets at fair value through profit or loss, (25) financial liabilities at amortised cost, (27) fair value hierarchy, (30) Regulatory data.

In note (32) Related parties, a correction was made to the previous year's figures in respect of transactions with subsidiaries.

(3) Adopted IFRS

The accounting policies for the interim financial statements pursuant to IFRS are essentially based on those of the consolidated financial statements as at 31 December 2018. In addition, the Bank applied for the first time the provisions of IFRS 16 for the interim financial statements as at 30 June 2019. The provisions resulting from these new standards, applicable from 1 January 2019, as well as their application to NORD/LB Group are set down in the following.

IFRS 16 – Leasing

As at 1 January 2019, IFRS 16 replaced the provisions of IAS 17 on the recognition of leases in conjunction with IFRIC 4, SIC-15 and SIC-27. In principle, the scope of application covers all contracts for which the right to use or control an asset is transferred for an agreed period against remuneration.

The NORD/LB Group will apply the rules of IFRS 16 to all leases identified under IAS 17 on a modified retrospective basis. Prior-year figures will not be adjusted as a result.

In particular, the new standard affects the Group's accounting as a lessee. IFRS 16 now provides a uniform accounting model for lessees under which rights-of-use assets and lease liabilities for leases must be recognised.

As a lessee, the NORD/LB Group exercises the option to not record rights of use assets or lease liabilities for short-term and low-value leases. Instead, expenses arising from these agreements will be recognised in the income statement in the period in which they occur. Lease agreements due to expire in 2019 will also be treated as short-term lease agreements. In addition, the NORD/LB Group will exercise the option not to record leasing arrangements for other intangible assets in accordance with IFRS 16.

The financial position, earnings position and financial performance of the NORD/LB Group are primarily affected by an increase in total assets recognised in the balance sheet. This increase results from the standard's requirement to recognise the right of use assets and liabilities for leases that were previously classified under IAS 17 as operating leases and therefore not recognised in the balance sheet. As at 1 January 2019, for the first time, the NORD/LB Group recorded rights of use assets amounting to € 100 million and lease liabilities in the same amount.

The lease liabilities recognised as at 1 January 2019 arose from future minimum lease payments:

	(in € million)
Undiscounted future minimum payments from operating lease commitments applying IAS 17 as at 31 December 2018	111
Discounted future minimum payments from operating lease commitments applying IAS 17 as at 31 December 2018	103
No recognition as lease liability according to IFRS 16 for	
Leases for which the underlyinf asset is of low value	5
Discounted future minimum payments from finance lease commitments applying IAS 17	2
Lease liability according to IFRS 16 as at 1 January 2019	**100**

Moreover, from 2019 onward, breaking down expenses into a depreciation component and an interest component using the effective interest method, rather than the leasing expense recognised under administrative expenses as in the past, will result in the degressive development of expense and the earlier recognition of expenses in the earlier periods of the term of a lease.

For the NORD/LB Group as lessor, IFRS 16 only resulted in changes to the Notes.

Besides IFRS 16, the following amendments to standards requiring mandatory adoption as at 1 January 2019 were applied during the reporting period:

Amendments to IFRS 9 – prepayment features with negative compensation
In October 2017, the IASB published narrow-scope amendments to IFRS 9 which clarify or adjust existing rules regarding the classification of financial assets. This was prompted by the ambiguous application of these rules in the case of financial instruments that include symmetric termination and compensation clauses, where compensation could theoretically be paid by the borrower to the lender and by the lender to the borrower. The amendment clarifies that under certain conditions such contractual clauses do not contradict the fulfilment of the cash flow criterion - regardless whether the compensation is paid by the borrower or the lender. This adjustment does not have an effect on NORD/LB's interim consolidated financial statements.

Amendments to IAS 19 - plan amendment, curtailment or settlement
The amendment published in February 2018 relates to the use of updated assumptions to determine current service cost and the net interest when accounting for pension plans for the remainder of the reporting

period after a change, curtailment or settlement of the plan. The NORD/LB Group is not currently affected by this amendment.

Amendments to IAS 28 – long-term interests in associates and joint ventures
In October 2017 the IASB published the amendments to IAS 28 which clarify the rules in IAS 28.14 in conjunction with IFRS 9.2.1 (a). The adjustment in IAS 28 specifies that IFRS 9 must be applied for certain long-term financial instruments that form part of the net investment in an associate or joint venture provided they are not recognised using the equity method. This had no impact on the interim consolidated financial statements.

Improvements to IFRS (cycle 2015 – 2017) under the IASB's annual improvement process
As part of the annual improvements process, changes were made to IFRS 3, IFRS 11, IAS 12 and IAS 23 that are applicable for financial years beginning on or after 1 January 2019. There are currently no circumstances in the NORD/LB Group in which the clarification regarding the obtaining of control over joint operations in IFRS 3 and IFRS 11 applies. The amendment to IAS 12 regarding the tax treatment of dividends is in line with the previous procedure used within the NORD/LB Group. Similarly, the clarification regarding IAS 23 Borrowing Costs has no effect on NORD/LB's interim consolidated financial statements, either.

In addition, the application of IFRIC Interpretation 23 concerning tax risk positions from income taxes did not have any effect on the NORD/LB consolidated interim financial statements.

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

The estimates and assessments required to carry out the accounting pursuant to IFRS are based on assumptions and parameters that were made with the proper exercise of discretion by management. This affects assets and liabilities, contingent assets and liabilities as at the reporting date, and income and expenses for the reporting period. Actual events may deviate from the estimates made by management.

(4) Basis of Consolidation

These Interim Consolidated Financial Statements compared with 31 December 2018 include not only NORD/LB as parent, but also 25 (31) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. They also include one (one) joint venture and eight (nine) associates. One associated company is designated as held for sale and is measured in accordance with IFRS 5.15 at the lower of the carrying amount and fair value less costs to sell.

The following changes to the basis of consolidation have occurred since 31 December 2018:

In the case of six previously fully consolidated one-ship companies, the ships were sold as their main assets or the underlying ship mortgage receivables as part of a portfolio transaction in the first half of 2019. Consequently, the following subsidiaries are no longer controlled:

- MS "Arian" Schifffahrtsgesellschaft mbH & Co. KG, Elsfleth
- MS "Tammo" Schifffahrtsgesellschaft mbH & Co. KG, Elsfleth
- QUADRIGA Beteiligungsgesellschaft mbH & Co. KG, Elsfleth
- Rhea Tankschifffahrtgesellschaft mbH & Co. KG, Hamburg
- Titan Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg
- Hyperion Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg

BGG Marktcarré GmbH & Co. KG, Bremen, was acquired by NORD/LB on 1 January 2019 following the exit of the limited partner. As at June 30, 2019, all of the aforementioned subsidiaries were no longer fully consolidated in the consolidated financial statements.

The special fund newly launched by the NORD/LB Group as part of the asset fund concept in the first half of the financial year

- NORDLB SICAV-RAIF S.C.Sp. - Infrastructure & Renewables GBP 2, Luxembourg

will be initially consolidated as a fully consolidated subsidiary on 30 June 2019.

Warburg Investment Holding GmbH, Hanover, was no longer accounted for as an associate using the equity method as at 30 June 2019 following the complete acquisition of all shares by the majority shareholder.

The change in the basis of consolidation did not have a material influence on the financial position, earnings position and financial performance of the NORD/LB Group.

Information on the subsidiaries, joint ventures and affiliated companies included in the Interim Consolidated Financial Statements can be found in Note (33) Equity Holdings.

Segment Reporting

Segment reporting provides information about the Group's operational fields of activity. The segment reporting below is based on IFRS 8 Operating Segments in accordance with the management approach. The segment information is presented in accordance with IFRS on the basis of internal reporting the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The total risk exposure amount was recognised uniformly for the business segments and the Group, shown pursuant to CRR/CRD IV as at the financial reporting date.

Segment reporting by business segment

The segments are defined as customer or product groups which reflect the organisational structures and thus the internal control of the Group. The internal calculations of the Group companies serve as the basis of calculation. The internal control focuses on the earnings before taxes of the operational units.

The key criterion for forming segments is the greatest possible homogeneity of the customers aggregated there with respect to financing and investment needs as well as the requested range of products. There are no discernible dependencies on individual customers. The product ranges offered in the individual segments are described in the following notes. The income generated from them is presented in the overview. The product ranges that are offered comprise traditional credit and syndicate business, savings and checking products, securities, foreign exchange and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, as well as services such as account management, payment transactions, securities trading, brokerage activities, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated based on the market-interest-rate method. In doing so, the contribution from interest terms for each customer transaction is determined by comparing the customer terms with the structurally congruent market rate for a notional offsetting transaction applicable at the time they were concluded. This market-interest-rate is also used as the cost rate for the balancing provision in Treasury. As a result, there is no gross recognition of interest income and interest expenses. Net commission income in the segments is also reported net in the internal reporting, i.e. it is not broken down into commission income and commission expenses. The financing income from committed equity is distributed across market segments.

Within the Bank, every interest-bearing customer transaction is applied to the balancing provision held by the Treasury as the central cash management unit. There are no direct business relationships among market divisions within the Bank. For this reason, no inter-segment income is recognised in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and distributed overhead costs. Risk provisioning is allocated to the segments according to actual costs incurred.

Overall bank profit and loss, such as profit/loss from hedge accounting and the profit/loss from disposals of financial instruments not measured at fair value, is not allocated to the Bank's operational business fields, but to the Group Controlling/Others segment.

In addition to the profit and loss account figures, the attributable total risk exposure amount, segment assets and liabilities, committed capital and the key figures of cost-income ratio (CIR), Return on Risk adjusted Capital (RoRaC) and Return-on-Equity (RoE) are also presented in the segment report. The total risk exposure amounts pursuant to CRR/CRD IV will be reported as at the financial reporting date. Segment assets and liabilities are measured using the same standards used for measuring assets and liabilities in the balance sheet. These are reported in the customer segment using annual average values; differences to the values as at the reporting date are included in the segment reconciliation. The cost-income ratio is defined as the ratio of administrative expenses to the sum of the following types of income: Net interest income, Net commission income, Profit/loss from the fair value measurement, Result from financial assets not measured at fair value through profit or loss, Profit/loss from hedge accounting, Profit/loss from investments accounted for using the equity method and Other operating profit/loss.

The calculation of the RoRaC in the segments relates to the earnings contribution before taxes to committed capital.

Committed capital in the segments is calculated on the basis of average annual values. The amount of the reconciliation between the committed capital recognised in the segments and the long-term equity under commercial law at the company level is included in the reconciliation segment. A transfer from long-term equity under commercial law to balance sheet equity is presented separately at the end of the segment overview.

The following segments are considered in the segment reporting by business segment:

Private and Commercial Customers

In addition to business involving private, individual, commercial and small-business customers, this segment also includes small and medium-sized corporate customers in the Braunschweig region. The product range for the Private and Commercial Customers segment is based on the savings bank financial concept. It comprises all of the standard banking services and products for the account and lending business, the savings and investment business as well as the provision of internet banking and direct brokerage. Expanded services for wealthy private customers include the integrated advisory approach based on asset structure analysis, financial planning, asset succession, inheritance and foundation management. The product range for small and medium-sized corporate customers also includes investment loans and business start-up consulting.

Corporate Customers

In addition to the entire corporate customer business of NORD/LB in the core regions (excluding the old state of Braunschweig) as well as in the adjacent regions, this segment also includes, in particular, the areas of agricultural banking and the housing sector.

The Group offers banking products and banking services as a full-service provider. The services range from traditional transaction management to individual corporate financing to management of interest- rate and currency risks to occupational pension solutions. Comprehensive solutions for complex corporate financing and the strategic positioning of corporate customers are also developed in this segment. Professional liquidity and risk management, the structuring of equity capital measures and innovative financing instruments round off the product range.

Markets

The Markets segment includes the financial market activities conducted on behalf of customers in Germany, at foreign branches and within Group companies. It offers alternative and non-mass market products, including derivatives, such as, in particular, special types of debt securities that are not standardised in terms of their interest rate and repayments, but instead offer alternatives to income generation, the type of repayment or the timing of repayment (structured securities). Within the secondary business, it conducts the sale or trade of all types of securities.

Individual solutions for institutional customers, such as the structuring of special funds, pool fund solutions as well as portfolio management mandates and institutional mutual funds, are also offered.

The wholesale business for supra-regional savings and regional banks comprises the sale of the entire range of fixed-income products and services including asset management products and the lending alternative business. For the corresponding third-party securities (Depot B) business, the offer comprises a permanently wide range of retail products, both with and without subscription phases, as well as private placements for individual customers.

Savings Banks Network Customers

Savings banks are NORD/LB's customers, owners and the Bank's market access to a broad customer base. The Network Customers segment bundles the business activities which from the perspective of the savings banks are material for the collaboration with NORD/LB in the network region in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania, as well as in the extended network region in Schleswig-Holstein and Brandenburg.

The segment focuses on the business with corporate and syndicated customers that is managed in cooperation with the savings banks. The complete range of services comprises the Bank's clearing house function, the promotional loan business, its proprietary business for network savings banks, the financing of municipal customers and the syndication of lending activities to savings banks. It also offers products and services related to interest and currency management, the third-party securities business and private banking to network savings banks and their customers. The offering is rounded off with specialised consulting services for international business.

Support for Saving Banks Network Customers is provided by the NORD/LB branches within the network region.

The Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers segments offer traditional lending products, innovative products and financial engineering, usually irrespective of the specific industry. This mainly involves restricted financing.

Energy and Infrastructure Customers

The remit covers global business relationships with NORD/LB customers in the infrastructure and energy (especially renewables) sectors. It primarily offers project financing for a specific project or object and is tailored to meet the individual customer's needs. The structure of this financing is developed with a view to the respective political and economic risks, legal and tax factors, social determinants as well as optimal equity structures. The goal is to tailor the project requirements and cash flow processes to the respective customer.

Ship Customers / Maritime Industry Customers

The ship financing activities of NORD/LB in Germany and abroad are recognised in this segment. Customers in the Ship Customers / Maritime Industry Customers segment are offered short and long-term financing, such as advance and interim financing as well as short and medium-term construction period financing and final financing (long-term) for their projects. The provision of loans and guarantees allows for the asset-based financing of ships generally secured by an asset. Products such as swaps, options, futures and forward transactions round off the range.

Aircraft Customers

The aircraft financing activities of NORD/LB in Germany and abroad are recognised in this segment. The focus of aircraft financing is on the asset-based financing of commercial aircraft from well-known manufacturers. The target customers are airlines and leasing companies, which are offered individual financing solutions in addition to the NORD/LB Group's high level of expertise in core products. In addition, it also carries out the covered export business.

Real Estate Banking Customers

The national and international commercial real estate financing provided by NORD/LB and Deutsche Hypo are consolidated here. This generally involves structured financing for large volume commercial real estate projects and portfolios in Germany and abroad. Both interim financing for new construction projects and long-term loans for current properties are offered.

Group Management / Others

This segment covers all other performance indicators directly related to business activity, such as: Group companies that are not recognised in the segments; performance components at overall institutional level that are not attributed to the segments; results from financial instruments (in particular, from central measurement effects), financial assets and hedge accounting that are not included in the economic performance of the business segments; overall Bank projects; consolidation items; earnings from interest rate change risk management, balancing provision, liquidity management and self-induced assets (in particular, Treasury and Bank Asset Allocation) and alternative investment products (credit asset management). Among other things, the bank levy is reported under Other operating profit/loss.

Reconciliations

The reconciliation items from internal accounting to the consolidated overall figures for the income statement and balance sheet (segment assets, liabilities and equity) are shown here. It also includes reclassifications of profit and loss items that are recognised differently in the internal management system compared with the external reporting. Reasons for these reconciliation positions include recognition under different income positions in internal and external accounting, and also differences in accrual accounting. Segment assets and liabilities are reported in the customer segment using annual average values; differences to the values as at the reporting date are included in the segment reconciliation. Another factor is the incorporation of residuals for which further differentiation and allocation to the operative segments is either impossible or would entail excessive effort.

(5) Segment Reporting by Business Segment

1 Jan. - 30 Jun. 2019 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Savings Banks and Regional Cus-tomers	Energy and Infrastructure Customers	Ship Customers / Maritime Industries	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income	81	172	52	28	84	10	40	90	60	– 121	496
Net commission income	32	22	12	5	13	35	4	3	– 63	– 14	50
Profit/loss from financial instruments at fair value	–	– 2	8	– 5	– 5	– 2	–	4	57	139	195
Risk provisioning	5	– 31	–	–	3	57	–	– 2	– 5	– 28	– 1
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	–	–	–	–	–	–	–	–	– 10	–	– 10
Profit/loss from hedge accounting	–	–	–	–	–	–	–	–	14	–	14
Profit/loss from shares in companies	–	–	–	–	–	–	–	–	13	1	13
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	–	–	18	–	20
Administrative expenses	83	94	57	31	48	31	17	30	90	8	487
Other operating profit/loss	– 3	–	1	–	1	–	–	1	– 44	5	– 39
Result before restructuring, reorganisation and taxes	**34**	**68**	**17**	**– 3**	**48**	**70**	**27**	**67**	**– 50**	**– 27**	**251**
Restructuring result	–	–	–	–	–	–	–	–	–	–	–
Reorganisation expenses	–	–	–	–	–	–	–	–	71	–	71
Earnings before taxes	**34**	**68**	**17**	**– 3**	**48**	**70**	**27**	**67**	**– 121**	**– 27**	**180**
Income taxes	–	–	–	–	–	–	–	–	–	31	31
Consolidated profit/loss	**34**	**68**	**17**	**– 3**	**48**	**70**	**27**	**67**	**– 121**	**– 58**	**149**
Segment assets	7 076	25 057	16 220	18 603	15 388	6 764	5 168	13 504	42 153	– 4 629	145 303
of which: investments at equity	44	–	–	–	–	–	–	–	114	–	159
Segment liabilities	7 725	4 919	44 351	3 202	3 019	824	372	238	81 430	– 775	145 303
Total risk exposure amount	3 991	13 261	3 872	1 174	5 520	2 756	4 334	5 602	698	3 260	44 468
Capital employed [1]	280	938	274	87	396	208	296	385	535	383	3 783
CIR	74.1%	48.9%	76.8%	111.1%	51.5%	71.6%	38.6%	29.9%			67.2%
RoRaC/RoE [2]	12.1%	7.2%	6.3%	-4.0%	12.2%	33.5%	9.2%	17.4%			9.5%

1 Jan. - 30 Jun. 2018[3] (in € million)	Private and Com-mercial Cus-tomers	Corporate Cus-tomers	Markets	Savings Banks and Regional Cus-tomers	Energy and Infra-structure Cus-tomers	Ship Customers/ Maritime Industries	Aircraft Cus-tomers	Real Estate Banking Cus-tomers	Group Manage-ment/ Others	Recon-ciliations	NORD/LB Group
Net interest income	85	173	78	31	88	90	42	92	– 16	– 44	618
Net commission income	31	20	24	7	17	7	6	–	– 81	– 2	28
Profit/loss from financial instruments at fair value	–	4	– 3	1	18	2	1	2	– 83	23	– 36
Risk provisioning	–	– 12	–	3	1	– 28	7	15	–	– 15	– 31
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	–	–	–	–	–	–	–	–	29	1	30
Profit/loss from hedge accounting	–	–	–	–	–	–	–	–	– 10	– 3	– 12
Profit/loss from shares in companies	–	–	–	–	–	–	–	–	6	5	11
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	–	–	7	1	11
Administrative expenses	85	73	53	24	48	41	16	34	134	13	522
Other operating profit/loss	2	–	–	–	7	–	1	– 1	– 44	6	– 29
Result before restructuring, reorganisation and taxes	**35**	**112**	**46**	**18**	**81**	**29**	**41**	**73**	**– 327**	**– 40**	**68**
Restructuring result	–	–	–	–	–	–	–	–	14	–	14
Reorganisation expenses	–	–	–	–	–	–	–	–	30	–	30
Earnings before taxes	**35**	**112**	**46**	**18**	**81**	**29**	**41**	**73**	**– 343**	**– 40**	**52**
Income taxes	–	–	–	–	–	–	–	–	–	– 2	– 2
Consolidated profit/loss	**35**	**112**	**46**	**18**	**81**	**29**	**41**	**73**	**– 343**	**– 38**	**54**
Segment assets 31 Dec. 2018	6 866	23 938	18 610	19 338	15 283	10 239	5 379	13 206	53 418	– 12 266	154 012
of which: investments at equity	44	–	–	–	–	–	–	–	129	–	173
Segment liabilities 31 Dec. 2018	7 394	5 516	51 321	3 766	2 569	886	347	166	90 704	– 8 658	154 012
Total risk exposure amount 30 Jun 2018	3 852	12 555	4 634	1 305	5 776	4 919	4 018	5 045	1 627	2 402	46 135
Capital employed 30 Jun. 2018[1]	390	1 336	422	138	626	738	464	519	429	1 075	6 136
CIR	70.9%	37.3%	54.0%	62.0%	37.5%	41.7%	31.4%	36.6%			85.6%
RoRaC/RoE	16.3%	15.5%	19.8%	25.4%	20.9%	4.6%	16.1%	23.2%			1.7%

[1] Reconciliation of long-term equity under commercial law to reported equity:

(in € million)	30 Jun. 2019	30 Jun. 2018
Long-term equity under commercial law	3 783	6 136
Accumulated OCI incl. currency translation reserve	– 589	– 272
Consolidated profit/loss	149	54
Reported equity	**3 343**	**5 918**

For key figures as of June 30, 2018, the corresponding reporting date values are used.

[2] At segment level RoRaC:
Earnings before taxes / committed capital.
At company level RoE::
Earnings before taxes / long-term equity under commercial law (see table above).
[3] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year's figures.

Due to the presentation in million €, there may be slight differences in the reproduction of mathematical operations in the present tables.

Notes to the Income Statement

(6) Net Interest Income

The interest income and interest expenses items include paid and received interest, accrued interest and pro rata reversals of premiums and discounts on financial instruments. Due to the fact that silent participations are to be classified as debt under IAS 32 under certain circumstances, payments to silent partners are recognised in interest expenses.

	1 Jan. - 30. Jun. 2019 (in € million)	1 Jan. - 30. Jun. 2018 (in € million)	Change (in %)
Interest income from assets			
Interest income from financial instruments at fair value through profit or loss			
Interest income from trading assets	1 189	1 297	– 8
Interest income from trading and hedge accounting derivatives	1 148	1 244	– 8
Interest income from debt securities and other fixed interest securities	4	12	– 67
Interest income from loans and advances	37	41	– 10
Interest income from financial instruments at fair value through profit or loss	38	50	– 24
Interest income from debt securities and other fixed interest securities	11	8	38
Interest income from loans and advances	27	42	– 36
	1 227	**1 347**	**– 9**
Interest income from financial assets at fair value through other comprehensive income			
Interest income from debt securities and other fixed interest securities	100	122	– 18
Interest income from loans and advances	20	26	– 23
	120	**148**	**– 19**
Interest income from financial assets measured at amortised cost			
Interest income from debt securities and other fixed interest securities	57	58	– 2
Interest income from loans and advances	1 119	1 212	– 8
Interest income from impaired debt-securities and other fixed interest securities as well as loans and advances	27	36	– 25
	1 203	**1 306**	**– 8**
Dividend income	**6**	**7**	
Other interest income and similar income	**224**	**285**	**– 21**
	2 780	**3 093**	**– 10**

	1 Jan. - 30. Jun. 2019 (in € million)	1 Jan. - 30. Jun. 2018 (in € million)	Change (in %)
Interest expenses from assets	26	33	– 21
Interest expenses from liabilities			
Interest expenses from financial labilities at fair value through profit or loss			
Interest expenses from trading liabilities	1 185	1 257	– 6
Interest expenses from trading and hedge accounting derivatives	1 185	1 248	– 5
Interest expenses from deposits	–	9	– 100
Interest expenses from financial labilities designated at fair value through profit or loss	77	73	5
Interest expenses from deposits	53	53	–
Interest expenses from securitised liabilities	24	20	20
	1 262	**1 330**	**– 5**
Interest expenses from financial liabilities measured at amortised cost			
Interest expenses from deposits	618	645	– 4
Interest expenses from securitised liabilities	171	200	– 15
	789	**845**	**– 7**
Other interest expenses and similar expenses	**264**	**307**	**– 14**
	2 315	**2 482**	**– 7**
Interest income from financial liabilities	**57**	**40**	**43**
Total	**496**	**618**	**– 20**

Interest expenses on assets and interest income from liabilities relate to the Group's lending and money market business.

(7) Net Commission Income

	1 Jan. - 30. Jun. 2019 (in € million)	1 Jan. - 30. Jun. 2018 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	77	50	54
Account management and payment transactions	23	23	–
Trust activities	1	–	–
Security transactions and custody service	22	31	– 29
Brokerage business	12	15	– 20
Other commission income	4	7	– 43
	139	**126**	**10**
Commission expenses			
Lending and guarantee business	73	80	– 9
Account management and payment transactions	1	1	–
Security transactions and custody service	8	9	– 11
Brokerage business	4	2	100
Other commission income	3	6	– 50
	89	**98**	**– 9**
Total	**50**	**28**	**79**

(8) Profit/loss from financial assets at fair value through profit or loss

	1 Jan. - 30 Jun. 2019 (in € million)	1 Jan. - 30 Jun. 2018 (in € million)	Change (in %)
Trading result			
Profit/loss from derivatives			
Interest-rate risks	141	13	> 100
Currency risks	15	– 89	> 100
Share-price and other price risks	– 10	3	> 100
Credit derivatives	36	– 2	> 100
	182	**– 75**	**> 100**
Profit/loss from equity instruments	–	– 2	– 100
Profit/loss from debt-securities and other fixed-interest securities	67	– 1	> 100
Profit/loss from receivables held for trading	160	– 2	> 100
Profit/loss from short sales	– 3	– 2	50
Other trading result	– 1	– 3	– 67
	405	**– 85**	**> 100**
Profit/loss on exchange transaction	**22**	**2**	**> 100**
Profit/loss from financial assets at fair value through profit or loss			
Profit/loss from equity instruments	8	– 5	> 100
Profit/loss from debt-securities and other fixed-interest securities	39	– 9	> 100
Profit/loss from receivables	12	19	– 37
	59	**5**	**> 100**
Profit/loss from designated financial assets at fair value through profit or loss			
Profit/loss from deposits	– 259	24	> 100
Profit/loss from securitised liabilties	– 32	18	> 100
	– 291	**42**	**> 100**
Total	**195**	**– 36**	**> 100**

(9) Risk Provisioning

	1 Jan. - 30 Jun. 2019 (in € million)	1 Jan. - 30 Jun. 2018 (in € million)	Change (in %)
Risk provisioning of financial assets at fair value through other comprehensive income			
Income from the reversal of risk provisioning for			
Debt-securities and other fixed-interest securities	1	1	–
	1	**1**	**–**
Expenses from allocations to risk provisions for			
Debt-securities and other fixed-interest securities	1	3	– 67
	1	**3**	**– 67**
	–	**– 2**	**– 100**
Risk provisionig of financial assets at amortised cost			
Income from the reversal of risk provisioning for			
Debt-securities and other fixed-interest securities	1	1	–
Loans and advances	505	551	– 8
	506	**552**	**– 8**
Expenses from allocations to risk provisions for			
Debt-securities and other fixed-interest securities	1	–	–
Loans and advances	359	482	– 26
	360	**482**	**– 25**
	146	**70**	**> 100**
Provisions			
Income from the reversal	20	31	– 35
Expenses from allocation	50	47	6
	– 30	**– 16**	**88**
Recoveries of receivables written off	**22**	**12**	**83**
Direct write-offs	**141**	**95**	**48**
Modification results	**2**	**–**	**–**
Total	**– 1**	**– 31**	**– 97**

(10) Disposal profit/loss from financial assets that are not measured at fair value through profit or loss

	1 Jan.-30 Jun. 2019 (in € million)	1 Jan.-30 Jun. 2018 (in € million)	Change (in %)
Disposal profit/loss from financial assets at fair value through other comprehensive income			
Disposal profit/los of			
Debt-securities and other fixed-interest securities	2	40	– 95
	2	**40**	**– 95**
Disposal profit/loss from financial assets at amortised cost			
Disposal profit/los of			
Loans and advances	– 1	– 1	–
	– 1	**– 1**	**–**
Disposal profit/loss from financial liabilities at amortised cost			
Disposal profit/los of			
Deposits	– 10	– 8	25
Securitised liabilities	– 1	– 1	–
	– 11	**– 9**	**22**
Total	**– 10**	**30**	**> 100**

(11) Profit / loss from hedge accounting

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

	1 Jan. - 30 Jun. 2019 (in € million)	1 Jan. - 30 Jun. 2018 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged underlying transactions	229	– 53	> 100
from derivatives designated as hedging instruments	– 216	46	> 100
	13	**– 7**	**> 100**
Profit/loss from portfolio fair value hedges			
from hedged underlying transactions	– 279	– 107	> 100
from derivatives designated as hedging instruments	280	102	> 100
	1	**– 5**	**> 100**
Total	**14**	**– 12**	**> 100**

(12) Administrative Expenses

	1 Jan.-30 Jun. 2019 (in € million)	1 Jan.-30 Jun. 2018[1] (in € million)	Change (in %)
Staff expenses	266	285	– 7
Other administrative expenses	189	212	– 11
Current depreciation	32	25	28
Total	**487**	**522**	**– 7**

[1] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year's figures.

(13) Other operating profit/loss

	1 Jan.-30 Jun. 2019 (in € million)	1 Jan.-30 Jun. 2018[1)] (in € million)	Change (in %)
Other operating income			
Income from the reversal of provisions	10	25	– 60
Income from the chartering of vessels related to restructuring lending commitments	5	10	– 50
Rental income from investment property	5	5	–
Reimbursements	2	2	–
Other operating income	23	12	92
	45	**54**	**– 17**
Other operating expenses			
Expenses from bank levy and deposit protection fund	74	65	14
Expenses from allocation to provisions	–	2	– 100
Expenses from impairment losses on non-financial assets	2	–	–
Expenses for the achievement of charter revenues from vessels	3	8	– 63
Expenses from Investment property	1	1	–
Other taxes	4	1	> 100
Other operating expenses	–	6	– 100
	84	**83**	**1**
Total	**– 39**	**– 29**	**34**

1) The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year's figures.

(14) Restructuring result

Profit/loss from restructuring relates to provisions for reorganisation measures which meet the requirements of IAS 37. Profit/loss for the current reporting period amounted to € 0 million. In the previous year the profit of € + 14 million included a release from provisions for reorganisation measures in the context of the NORD/LB Group's One Bank transformation programme.

(15) Reorganisation expenses

This item relates to measures aimed at safeguarding the future and maintaining the competitiveness of the NORD/LB Group. The expenses totalling € 71 million (€ 30 million) are not attributable to operating activities but serve the comprehensive strategic reorganisation of the Group. Due to their significance and their extraordinary non-recurring nature, they are shown separately and are not allocated to administrative expenses. These are consulting services for strategy, transformation, IT and legal advice to create the prerequisites for necessary capital measures, the redimensioning of risk-bearing business and the restructuring of IT.

(16) Income taxes

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

Notes to the Balance Sheet

(17) Financial asstes at Fair Value through Profit or Loss

	30 Jun. 2019 (in € million)	31 Dec. 2018[1] (in € million)	Change (in %)
Trading assets			
Positive fair values from derivatives			
Interest-rate risks	4 763	3 760	27
Currency risks	440	397	11
Share-price and other price risks	2	3	– 33
Credit derivatives	70	62	13
	5 275	**4 222**	**25**
Equity instruments	2	3	– 33
Debt-securities and other fixed-interest securities	2 269	1 697	34
Loans and advances to customers	355	251	41
Registered securities	2 427	2 790	– 13
	10 328	**8 963**	**15**
Financial assets mandatorily at fair value through profit or loss			
Equity instruments	77	70	10
Debt-securities and other fixed-interest securities	2 287	2 480	– 8
Loans and advances to banks	108	104	4
Loans and advances to customers	625	789	– 21
	3 097	**3 443**	**– 10**
Total	**13 425**	**12 406**	**8**

[1] The previous year's figures were adjusted for individual items, see Note **(2)** Restatement of previous year's figures.

(18) Financial assets at Fair Value through other comprehensive income

	30 Jun.2019 (in € million)	31 Dec. 2018 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	17 553	18 739	– 6
Loans and advances to banks	754	804	– 6
Loans and advances to customers	984	1 005	– 2
Total	**19 291**	**20 548**	**– 6**

The change in the risk provisioning recognised in other comprehensive income (OCI) related to this item is presented under Note **(28)** Risk provisioning and gross carrying amount.

(19) Financial assets at amortised costs

	30 Jun. 2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	4 409	4 375	1
Loans and advances to banks	19 778	24 498	– 19
Loans and advances to customers	83 784	85 168	– 2
Total	**107 971**	**114 041**	**– 5**

The developement in the risk provisioning contained in this item is presented under Note **(28)** Risk provisioning and gross carrying amount.

(20) Shares in companies

The balance sheet item Shares in companies includes all shares in companies which are not accounted for in accordance with IFRS 10, IFRS 11 or IAS 28 but measured in accordance with IFRS 9.

	30 Jun. 2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Subsidaries	36	36	–
Joint Ventures	7	6	17
Associated companies	37	36	3
Other shares in companies	271	260	4
Total	**351**	**338**	**4**

(21) Property and Equipment

	30 Jun. 2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Land and buildings	307	311	– 1
Operating and office equipment	39	44	– 11
Ships	12	29	– 59
Other property and equipment	1	1	–
Right-of-use assets from leasing	94	–	–
Total	**453**	**385**	**18**

(22) Intangible Assets

	30 Jun. 2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Software			
Purchased	65	71	– 8
Internally developed	43	42	2
	108	**113**	**– 4**
Prepayments and intangible assets under development and preparation	28	8	> 100
Leasing assets			
Leasing Property from Finance Lease	–	2	– 100
Leased Software	7	–	–
	7	**2**	**> 100**
Other intangible assets	–	13	– 100
Total	**143**	**136**	**5**

The intangible assets in development mainly relate to software that has been purchased.

(23) Assets held for sale

The assets held for sale in accordance with IFRS 5 are broken down as follows:

	30 Jun. 2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Financial assets at fair value through profit or loss	–	84	– 100
Financial assets at amortised costs	–	737	– 100
Shares in companies - previously accounted for using the equity method	35	–	–
Property and equipment	7	30	– 77
Total	**42**	**851**	**– 95**

As at 31 December 2018, financial assets at fair value through profit or loss or at amortised cost included € 821 million of receivables from ship financing under assets held for sale. The divestment portfolio used to reduce the NPL ship exposure belonged to the Ship Customers segment and was sold to an investor in a portfolio transaction on 9 April 2019. The portfolio also included three fully consolidated one-ship companies, whose net carrying amount (ships) of € 15 million was reported under property and equipment under this item. When the portfolio was sold, the final purchase price allocation resulted in adjustments to the allowance for risk provisioning on loans and advances and the fair value result of the individual exposures totaling € 17 million.

As at the current reporting date, the assets held for sale item included shares in a company previously accounted for using the equity method in the amount of € 35 million. It belongs to the Group Controlling/Others segment. The sale is planned for the third quarter.

This item also included as property and equipment the asset (ship) of a fully consolidated subsidiary (one-ship company) from the Group Controlling/Others segment amounting to € 7 million. The ship was sold and derecognised on 16 August 2019.

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

	30 Jun.2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives			
Interest-rate risks	3 222	2 641	22
Currency risks	590	672	– 12
Share-price and other price risks	3	6	– 50
Credit derivatives	2	9	– 78
	3 817	**3 328**	**15**
Delivery obligations from short-sales	192	353	– 46
	4 009	**3 681**	**9**
Financial liabilities designated at fair value through profit or loss			
Deposits			
Liabilities to banks	365	388	– 6
Liabilities to customers	4 163	3 941	6
	4 528	**4 329**	**5**
Securitised liabilities	3 333	3 438	– 3
	7 861	**7 767**	**1**
Total	**11 870**	**11 448**	**4**

(25) inancial Liabilities at amortised costs

	30 Jun. 2019 (in € million)	31 Dec.2018[1] (in € million)	Change (in %)
Deposits			
Deposits from banks	11 360	15 932	– 29
Saving deposits from customers	1 075	1 150	– 7
Other liabililities	80 852	85 280	– 5
Subordinated liabilities	764	742	3
	94 051	**103 104**	**– 9**
Securitised Liabilities			
Covered bonds	11 585	10 573	10
Municipal debentures	4 808	6 947	– 31
Other securitised liabilities	9 371	10 145	– 8
Subordinated securitised liabilities	2 732	2 714	1
	28 496	**30 379**	**– 6**
Total	**122 547**	**133 483**	**– 8**

[1] The previous year's figures were adjusted for individual items, see Note **(2)** Restatement of previous year's figures.

Repurchased debt securities issued by the Bank itself in the amount of € 3 960 million (€ 4 194 million) were deducted directly from securitised liabilities.

The notional volume of issues in the NORD/LB Group totalled € 1 146 million (€ 4 695 million) in the first six months of financial year 2019. Repurchases totalled € 1 724 million (€ 1 857 million), while repayments amounted to € 4 776 million (€ 3 881 million). In addition to original issues, the amount of the issues also includes securities sold again following repurchases. The disclosures reported under securitised liabilities relate to money market instruments and debt securities, and include not only financial liabilities at amortised cost, but also financial liabilities designated at fair value through profit and loss (see Note (24)).

(26) Provisions

Provisions are broken down as follows:

	30 Jun.2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Provisions for pensions and other obligations	**2 792**	**2 410**	**16**
Other provisions			
Provisions for personnel	70	79	– 11
Provisions in lending business	99	66	50
Provisions for litigation and recourse risks	32	41	– 22
Provisions for restructuring measures	208	228	– 9
Other provisions	55	45	22
	464	**459**	**1**
Total	**3 256**	**2 869**	**13**

The provisions for reorganisation measures relate to personnel measures resulting from the One Bank programme initiated in 2017.

Notes to the Condensed Cash Flow Statement

The Group received consideration totalling € 37 million (€ 48 million) as part of transactions that led to control over subsidiaries and other business units during the reporting period. € 37 million (€ 48 million) of this remuneration pertained to cash and cash equivalents. The assets and liabilities of the subsidiaries over which control was gained or lost during the reporting period comprised the following:

Assets (in € million)	Acquisition of control		Loss of control	
	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018
Financial assets at fair value through profit or loss	43	18	-	13
Designated financial assets at fair value through profit or loss	-	-	-	3
Financial assets at amortised costs	-	-	1	1
Property and equipment	-	27	-	40
Intangible assets	-	-	-	2
Assets held for sale	-	-	37	8
Current income tax assets	-	-	-	1
Other assets	-	-	1	2
Total assets	**43**	**45**	**39**	**70**

Liabilities (in € million)	Acquisition of control		Loss of control	
	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018
Financial liabilities at amortised costs	–	–	3	–
Provisions	–	4	–	–
Other liabilities	–	4	3	2
Total liabilities	**–**	**8**	**6**	**2**

Other Disclosures

(27) Fair Value Hierarchy

The NORD/LB Group applies the three-stage fair value hierarchy using the Level 1, Level 2 and Level 3 terminology set out in IFRS 13. Alongside IFRS 13, the specific regulations of IDW RS HFA 47 are used for the assessment of the financial instruments at the various levels.

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

Level 1

The fair value hierarchy states that a financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. If publicly listed market prices or prices actually traded on the OTC market are not available, executable prices from traders and brokers without a transaction as a reference will be used to determine the value used for the measurement. If observable price sources other than stock exchanges are used, quotes that are set by other banks or market makers are used. Instruments are allocated to Level 1 if there is an active market for these broker quotes, i.e. the bid-ask spread is low and there are multiple price suppliers with very little difference in their prices. If the broker quotations are for (mixed) prices or if the price is set on an inactive market, the instruments are not assigned to Level 1, rather to Level 2 of the measurement hierarchy if the quotations relate to binding offers, observable prices or market transactions. Likewise, (mixed) prices calculated by price service agencies on the basis of reported prices are to be assigned to Level 2. The Level 1 values are used without any adjustment.

Level 1 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, shares in companies as well as other assets and liabilities.

Level 2

If no price quotes on an active market are available, the fair value is calculated using recognised measurement methods or models or through external pricing services, provided that the measurement in such cases makes either full or significant use of observable input data such as spread curves (Level 2). To measure financial instruments in these situations, measurement methods are used that are widely recognised on the market under normal market conditions (e.g. the discounted-cash-flow method and the Hull & White model for options) and the calculations of which are fundamentally based on inputs available on an active market. One requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired.

Measurement models are used primarily for OTC derivatives and securities listed on inactive markets. The models include a range of inputs such as market prices and other market quotations, risk-free interest-rate curves, risk premiums, exchange rates and volatilities. A standard market approach is always selected for necessary model parameterisations.

In the case of asset-side securities for which there is no active market and for which market prices can no longer be used for measurement, the fair value for measurement purposes is determined on the basis of discounted cash flows. With the discounted cash-flow-method, all payments are discounted using the risk-free interest rate curve adjusted by the credit spread. Spreads are determined based on comparable financial instruments (for example, taking account of the respective market segment and the issuer's credit rating).

The financial instruments at NORD/LB Group to be measured in this manner are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions within the Group identify, analyse and value financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible. The measurement model for financial instruments assigned to Level 2 is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, other components, such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, hedge accounting derivatives as well as other assets and other liabilities.

Level 3

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

Level-3 procedures are used for portfolios of interest-bearing securities and derivatives for which the market has been classified as inactive or for which significant valuation parameters are not observable on the market. These include:

- Equity-linked structures measured using historical volatilities.
- Stock index options, provided that no dividend expectations are observable on the market for the relevant term.
- CMS spread options since the ingoing correlation is not directly observable
- Own and third-party issues as well as futures on such issues if the credit/funding spread is not observable on the market.

In addition, all loans measured at fair value and loan commitments intended for syndication, which are shown as derivatives, are regularly allocated to Level 3.

Level 3 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, shares in companies as well as other liabilities.

Fair value calculation

The measurement models used in the NORD/LB Group and the data flowing into them are reviewed periodically. The resulting fair values are subject to internal controls and monitoring procedures. These controls and processes are carried out in and coordinated by the Finance and Risk Control divisions.

All relevant factors are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty default risk and business-typical discount rates. In the context of the bid-ask spread, the measurement is generally carried out using the average price or average quote. The financial instruments particularly impacted by this include securities or liabilities whose fair values are based on prices listed on active markets, as well as financial instruments, such as OTC derivatives, whose fair values are determined using a measurement method and for which the average quote is an observable input in the measurement method.

No listed prices are generally available for OTC market derivatives; their fair values are therefore determined using other measurement methods. The measurement is first carried out using cash-flow models without taking account of the credit default risk. The measurement adjustment on the basis of the counterparty default risk (credit value adjustment (CVA) / debit value adjustment (DVA)) is calculated on the basis of the net risk position pursuant to IFRS 13.48. The calculation is based on simulated future market values and, if available, market-implied input data.

The NORD/LB Group measures secured OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are now discounted using the OIS interest-rate curve rather than the term-specific interest rate. Unsecured derivatives continue to be discounted in accordance with the term-specific interest rate to establish their fair value. The measurement of unsecured derivative positions also takes account of a funding valuation adjustment (FVA), which represents the market-implied funding costs.

The fair values of financial assets and their classification in the fair value hierarchy are compared with their corresponding carrying amounts in the following table.

(in € million)	30 Jun.2019 Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	494	–	–	494	494	–
Trading assets	1 062	8 607	659	10 328	10 328	–
Positive fair values from derivatives	1	5 272	2	5 275	5 275	–
Interest-rate risks	–	4 761	2	4 763	4 763	–
Currency risks	–	440	–	440	440	–
Share-price and other price risks	1	1	–	2	2	–
Credit derivatives	–	70	–	70	70	–
Equity instruments	2	–	–	2	2	–
Debt-securities and other fixed-interest securities	1 033	1 236	–	2 269	2 269	–
Loans and advances	26	2 099	657	2 782	2 782	–
Financial assets mandatorily at fair value through profit or loss	1 140	1 469	488	3 097	3 097	–
Equity instruments	77	–	–	77	77	–
Debt-securities and other fixed-interest securities	1 063	1 224	–	2 287	2 287	–
Loans and advances	–	245	488	733	733	–
Financial assets at fair value through other comrehensive income	7 412	10 079	1 800	19 291	19 291	–
Debt-securities and other fixed-interest securities	7 412	10 079	62	17 553	17 553	–
Loans and advances	–	–	1 738	1 738	1 738	–
Financial assets at amortised cost	4 557	6 963	99 899	111 419	107 971	3 448
Debt-securities and other fixed-interest securities	608	3 778	–	4 386	4 409	– 23
Loans and advances	3 949	3 185	99 899	107 033	103 562	3 471
Positive fair values from hedge accounting derivatives	–	1 185	–	1 185	1 185	–
Positive fair values from allocated micro fair value hedge derivatives	–	1 106	–	1 106	1 106	–
Interest-rate risks	–	1 066	–	1 066	1 066	–
Currency risks	–	40	–	40	40	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	79	–	79	79	–
Interest-rate risks	–	79	–	79	79	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	287	– 287
Shares in companies	17	–	334	351	351	–
Other assets (only financial instruments) measured at fair value	48	45	–	93	93	–
Total	**14 730**	**28 348**	**103 180**	**146 258**	**143 097**	**3 161**

[1] Amounts relating to the assets item “Adjustment item for financial instruments hedged in portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.

(in € million)	Level 1	Level 2	Level 3	31 Dec.2018[2] Total fair values	Carrying amount	Difference
Assets						
Cash reserve	1 519	–	–	1 519	1 519	–
Trading assets	424	8 095	444	8 963	8 963	–
Positive fair values from derivatives	3	4 217	2	4 222	4 222	–
Interest-rate risks	–	3 759	1	3 760	3 760	–
Currency risks	–	397	–	397	397	–
Share-price and other price risks	3	–	–	3	3	–
Credit derivatives	–	61	1	62	62	–
Equity instruments	3	–	–	3	3	–
Debt-securities and other fixed-interest securities	417	1 280	–	1 697	1 697	–
Loans and advances	1	2 598	442	3 041	3 041	–
Financial assets mandatorily at fair value through profit or loss	1 196	1 557	690	3 443	3 443	–
Equity instruments	69	1	–	70	70	–
Debt-securities and other fixed-interest securities	1 127	1 353	–	2 480	2 480	–
Loans and advances	–	203	690	893	893	–
Financial assets at fair value through other comrehensive income	6 422	12 223	1 903	20 548	20 548	–
Debt-securities and other fixed-interest securities	6 422	12 223	95	18 740	18 740	–
Loans and advances	–	–	1 808	1 808	1 808	–
Financial assets at amortised cost	6 778	7 057	102 623	116 458	114 041	2 417
Debt-securities and other fixed-interest securities	548	3 750	–	4 298	4 375	– 77
Loans and advances	6 230	3 307	102 623	112 160	109 666	2 494
Positive fair values from hedge accounting derivatives	–	1 152	–	1 152	1 152	–
Positive fair values from allocated micro fair value hedge derivatives	–	981	–	981	981	–
Interest-rate risks	–	934	–	934	934	–
Currency risks	–	47	–	47	47	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	171	–	171	171	–
Interest-rate risks	–	171	–	171	171	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	114	– 114
Shares in companies	17	–	321	338	338	–
Financial assets held for sale measured at fair value	–	–	84	84	84	–
Financial assets held for sale are not recognised at fair value	–	–	735	735	735	–
Other assets (only financial instruments) measured at fair value	–	4	–	4	4	–
Total	**16 356**	**30 088**	**106 800**	**153 244**	**150 941**	**2 303**

[1] Amounts relating to the assets item “Adjustment item for financial instruments hedged in portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.
[2] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year’s figures.

The fair values of financial liabilities and their classification in the fair value hierarchy are compared with their corresponding carrying amounts in the following table.

	30 Jun.2019					
(in € million)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	73	3 933	3	4 009	4 009	–
Negative fair values from derivatives	2	3 812	3	3 817	3 817	–
Interest-rate risks	2	3 217	3	3 222	3 222	–
Currency risks	–	590	–	590	590	–
Share-price and other price risks	–	3	–	3	3	–
Credit derivatives	–	2	–	2	2	–
Delivery obligations from short-sales	71	121	–	192	192	–
Financial liabilities designated at fair value through profit or loss	1 086	5 146	1 629	7 861	7 861	–
Deposits	–	2 899	1 629	4 528	4 528	–
Securitised liabilities	1 086	2 247	–	3 333	3 333	–
Financial liabilities measured at amortised cost	2 148	36 393	87 141	125 682	122 547	3 135
Deposits	454	11 703	84 902	97 059	94 051	3 008
Securitised liabilities	1 694	24 690	2 239	28 623	28 496	127
Negative fair values from hedge accounting derivatives	–	2 180	–	2 180	2 180	–
Positive fair values from allocated micro fair value hedge derivatives	–	2 134	–	2 134	2 134	–
Interest-rate risks	–	1 944	–	1 944	1 944	–
Currency risks	–	190	–	190	190	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	46	–	46	46	–
Interest-rate risks	–	46	–	46	46	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	1 164	– 1 164
Other liabilities (only financial instruments) measured at fair value	396	48	–	444	444	–
Other liabilities (only financial instruments) not recognised at fair value	16	–	1	17	17	–
Total	**3 719**	**47 700**	**88 774**	**140 193**	**138 222**	**1 971**

[1] Amounts relating to the liabilities item “Adjustment item for financial instruments hedged in portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.

(in € million)	Level 1	Level 2	Level 3	31 Dec.2018[2] Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	110	3 562	9	3 681	3 681	–
Negative fair values from derivatives	1	3 318	9	3 328	3 328	–
Interest-rate risks	1	2 634	6	2 641	2 641	–
Currency risks	–	672	–	672	672	–
Share-price and other price risks	–	6	–	6	6	–
Credit derivatives	–	6	3	9	9	–
Delivery obligations from short-sales	109	244	–	353	353	–
Financial liabilities designated at fair value through profit or loss	1 082	5 222	1 463	7 767	7 767	–
Deposits	–	2 870	1 459	4 329	4 329	–
Securitised liabilities	1 082	2 352	4	3 438	3 438	–
Financial liabilities measured at amortised cost	3 286	37 513	94 541	135 340	133 483	1 857
Deposits	541	12 489	92 188	105 218	103 104	2 114
Securitised liabilities	2 745	25 024	2 353	30 122	30 379	– 257
Negative fair values from hedge accounting derivatives	–	1 771	–	1 771	1 771	–
Positive fair values from allocated micro fair value hedge derivatives	–	1 750	–	1 750	1 750	–
Interest-rate risks	–	1 585	–	1 585	1 585	–
Currency risks	–	165	–	165	165	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	21	–	21	21	–
Interest-rate risks	–	21	–	21	21	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	734	– 734
Other liabilities (only financial instruments) not recognised at fair value	–	–	18	18	18	–
Total	**4 478**	**48 068**	**96 031**	**148 577**	**147 454**	**1 123**

[1] Amounts relating to the liabilities item “Adjustment item for financial instruments hedged in portfolio fair value hedge” are shown in the fair values of the hedged financial instruments.
[2] The previous year's figures were adjusted for individual items, see Note (2) Restatement of previous year’s figures.

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

1 Jan. - 30 Jun.2019 (in € million)	from Level 1 to Level 2	from Level 1 to Level 3	from Level 2 to Level 1	from Level 2 to Level 3	from Level 3 to Level 1	from Level 3 to Level 2
Trading assets	23	–	6	23	–	–
Debt-securities and other fixed-interest securities	23	–	6	–	–	–
Loans and advances	–	–	–	23	–	–
Financial assets at fair value through profit or loss	15	–	68	–	–	40
Equity instruments	–	–	1	–	–	–
Debt-securities and other fixed-interest securities	15	–	67	–	–	–
Loans and advances	–	–	–	–	–	40
Financial assets at fair value through other comrehensive income	414	–	2 158	–	–	55
Debt-securities and other fixed-interest securities	414	–	2 158	–	–	55
Trading liabilities	–	–	–	–	–	1
Negative fair values from derivatives	–	–	–	–	–	1
Interest-rate risks	–	–	–	–	–	1
Designated financial liabilities at fair value through profit or loss	–	–	–	–	–	6
Deposits	–	–	–	–	–	6

Most transfers between levels as at the reporting date compared to 31 December 2018 took place between Level 2 and Level 1.

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

The change in financial assets and liabilities in Level 3 of the fair-value hierarchy is as follows:

	Trading assets					
	Positive fair values from derivatives interest-rate risks		Positive fair values from derivatives credit derivatives		Loans and advances	
(in € million)	2019	2018	2019	2018	2019	2018
1 Jan.	**1**	**–**	**1**	**–**	**425**	**66**
Effect on the income statement [1]	–	1	– 1	–	13	– 1
Addition from purchase or issue	1	–	–	6	436	72
Disposal from sale	–	–	–	6	210	13
Repayment/exercise	–	–	–	–	90	104
Addition from Level 1 and 2	–	–	–	–	23	–
Changes from the basis of consolidation	–	–	–	–	60	–
30 Jun.	**2**	**1**	**–**	**–**	**657**	**20**
For information: Effect on income statement for financial instruments still held [1]	–	–	–	–	14	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value through profit or loss.

	Financial assets mandatorily at fair value through profit or loss			
	Debt-securities and other fixed-interest securities		Loans and advances	
(in € million)	2019	2018	2019	2018
1 Jan.	**–**	**2**	**690**	**1 075**
Effect on the income statement[1]	–	–	269	– 32
Addition from purchase or issue	–	–	112	459
Disposal from sale	–	–	–	77
Repayment/exercise	–	–	548	413
Disposal to Level 1 and 2	–	–	40	–
Changes from the basis of consolidation	–	–	5	–
30 Jun.	**–**	**2**	**488**	**1 012**
For information: Effect on income statement for financial instruments still held[1]	–	–	– 63	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value through profit or loss.

	Financial assets at fair value through other comprehensive income			
	Debt-securities and other fixed-interest securities		Loans and advances	
(in € million)	2019	2018	2019	2018
1 Jan.	**95**	**–**	**1 809**	**2 115**
Effect on the income statement[1]	–	–	– 9	– 4
Effect on other comprehensive income (OCI)	4	–	13	– 28
Addition from purchase or issue	20	–	–	–
Disposal from sale	2	–	–	–
Repayment/exercise	–	–	75	–
Disposal to Level 1 and 2	55	–	–	–
30 Jun.	**62**	**–**	**1 738**	**2 083**
For information: Effect on income statement for financial instruments still held[1]	–	–	– 7	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income, Risk provisioning and Disposal profit/loss from financial assets that are not measured at fair value through profit or loss.

	Shares in companies		Financial assets held for sale measured at fair value	
(in € million)	2019	2018	2019	2018
1 Jan.	**321**	**326**	**84**	**–**
Effect on the income statement[1]	13	6	–	–
Addition from purchase or issue	–	2	–	84
Disposal from sale	–	1	84	–
30 Jun.	**334**	**333**	**–**	**84**
For information: Effect on income statement for financial instruments still held[1]	13	–	–	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income, Profit/loss from financial assets at fair value through profit or loss, Risk provisioning, Disposal profit/loss from financial assets that are not measured at fair value through profit or loss, Profit/loss from shares in companies, Administrative expenses and Other operating profit/loss.

	Trading liabilities			
	Negative fair values from derivatives interest-rate risks		Negative fair values from derivatives credit derivatives	
(in € million)	2019	2018	2019	2018
1 Jan.	**6**	**–**	**3**	**2**
Effect on the income statement[1]	– 5	–	– 3	– 2
Addition from purchase or issue	3	–	–	–
Disposal to Level 1 and 2	1	–	–	–
30 Jun.	**3**	**–**	**–**	**–**

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value through profit or loss.

	Designated financial liabilities at fair value through profit or loss			
	Deposits		Securitised liabilities	
(in € million)	2019	2018	2019	2018
1 Jan.	**1 459**	**–**	**4**	**10**
Effect on the income statement[1]	149	–	–	–
Effect on other comprehensive income (OCI)	30	–	–	–
Addition from purchase or issue	–	10	–	–
Repayment/exercise	3	–	4	–
Disposal to Level 1 and 2	6	–	–	–
30 Jun.	**1 629**	**10**	**–**	**10**
For information: Effect on income statement for financial instruments still held[1]	149	–	–	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value through profit or loss.

The following significant non-observable input data were used for the fair value measurement of financial instruments classified in Level 3.

Product	Fair value 30 Jun.2019	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	62	Discount rate	-0,37 - 0,72 %	-0,32 %
Participations	334	Discount rate	7 - 9 %	7 %
Loans (assets)	2 105	Rating	Rating Class (27er DSGV-Skala) 1-22	Averaged Rating 3
	336	Discount rate	-0,37 - 0,72%	0,43 %
	441	Cashflow		
Loans (liabilities)	– 1 614	Discount rate	0,73 - 2,37 %	1,75 %
	– 15	historical volatilities	11 %	11 %
Derivatives (assets)	2	Correlation	0,8	0,8
Derivatives (liabilities)	– 3	Underlying	103 - 113	109

A significant input which cannot be observed on the market for the Level 3 fair value measurement of interest-bearing securities is the discount rate. Significant changes to the input result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was increased and decreased in the measurement by 10 basis points respectively. Accordingly, a presumed change to the parameters based on the assumptions resulted in a change of € 4.2 million (€ 3.2 million) in the fair values of the Level 3 interest-bearing securities, with a corresponding effect on the income statement and in other comprehensive income (OCI).

A significant input which cannot be observed on the market for the fair value measurement of investments is the discount rate. Significant changes to the input result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was increased and decreased in the measurement by 50 basis points respectively. Accordingly, a presumed change to the parameters based on the assumptions resulted in a change of € 17.4 million (€ 15.9 million) in the fair values of Level 3 investments, with a corresponding impact on the income statement.

The silent participations will be derecognised from the consolidated balance sheet in H2 2019. The contractually fixed disposal value qualifies as a Level 2 input. As at 30 June 2019, there were therefore no Level 3 silent participations left. A significant input which could not be observed on the market for the fair value measurement of silent participations in the previous year was the fair value itself. This is because a lack of available market data requires the use of counterparty prices, which qualified as Level 3 inputs. The sensitivity was approximated using a price change of 10 per cent and amounted to € 3.9 million. This amount would have had a corresponding effect on the income statement.

A significant input which cannot be observed on the market for the Level 3 fair value measurement of a part of the asset-side loans is the probability of default based on the internal rating. Significant changes to this input result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was increased and decreased by one class respectively. Accordingly, a presumed change to the parameters based on the assumptions resulted in a change of € 0.8 million (€ 0.7 million) in the fair values of Level 3 loans, with a corresponding effect on the income statement.

A significant input which cannot be observed on the market for the Level 3 fair value measurement for the impaired asset-side loans is the expected cash flow. Significant changes to this input result in a significantly higher or lower fair value. As part of the sensitivity analysis, the cash flow was increased and decreased by one per cent respectively. Accordingly, a presumed change to the parameters based on the assumptions resulted in a change of € 3.4 million (€ 42.2 million) in the fair values of Level 3 loans, with a corresponding impact on the income statement.

A significant input which cannot be observed on the market for the Level 3 fair value measurement for the other asset-side loans is the cash flow. Significant changes to this input result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was increased and decreased by 10 per cent respectively. Accordingly, a presumed change to the parameters based on the assumptions resulted in a change of € 0.2 million (€ 0 million) in the fair values of Level 3 loans, with a corresponding impact on the income statement.

A significant input which cannot be observed on the market for the Level 3 fair value measurement of liability-side loans is the discount rate. Significant changes to the input result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was increased and decreased in the measurement by 10 basis points respectively. Accordingly, a presumed change to the parameters based on the assumptions resulted in a change of € 0.2 million (€ 35.2 million) in the fair values of the Level 3 interest-bearing securities, with a corresponding effect on the income statement and in other comprehensive income (OCI).

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

There are also derivatives that have been allocated to Level 3 based on historic volatility. Significant input data that cannot be observed on the market for the fair value measurement of the asset-side derivatives are the correlation. Significant changes to the correlation result in a significantly higher or lower fair value. As part of the sensitivity analysis, the correlation was increased and decreased by 5 per cent respectively. This analysis showed that the presumed changes would result in a change of € 0.03 million (€ 0.3 million) in the derivatives in Level 3, with a corresponding effect on the income statement.

Significant input data that cannot be observed on the market for the fair value measurement of these liability-side derivatives are the price of the underlying. Major changes in the price of the underlying result in a significantly higher or lower fair value. As part of the sensitivity analysis, the price of the underlying was increased and decreased by 1 per cent respectively. This analysis showed that an imputed change in the underlying would result in a change of € 31.2 million (€ 0.4 million) in the fair value of the derivatives in Level 3, with a corresponding effect on the income statement.

As at the reporting date of these Interim Consolidated Financial Statements, the Group does not have any derivatives in connection with syndicated loans that would have been allocated to Level 3.

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

(28) Risik provisions and Cross carrying amount

Risk provisioning in the amount of the expected loss will be created for the next 12 months for financial assets and off-balance-sheet liabilities whose credit risk as at the reporting date has not increased significantly from the time of recognition (Stage 1). If, as at the reporting date, the credit risk has increased significantly from the time of recognition, risk provisioning is created in the amount of the expected loss for the remaining term of the financial assets and off-balance-sheet liabilities (Stage 2). Similarly, risk provisioning is created in the amount of the expected loss for the remaining term of the financial assets and off-balance-sheet liabilities if there are objective indications of impairment at the reporting date and the exposure has defaulted (Stage 3). Risk provisioning for financial assets that are already credit-impaired at the time of issue or acquisition (POCI) is created at the time of recognition implicitly on the basis of the fair value measurement. Risk provisioning is subsequently measured in the amount of the change in the lifetime expected credit loss compared with the initial expected credit loss. For simplification purposes, risk provisioning in the amount of the change in the lifetime expected credit loss can be recognised, without measuring the change in the credit risk from the time of recognition (simplified approach).

Changes in risk provisioning may result primarily from a change in the stage of financial assets and off-balance sheet liabilities or from creditworthiness-related changes in risk provisioning within a stage.

The following overview presents the change during the reporting period in the risk provisioning for financial assets not measured at fair value through profit and loss and for off-balance-sheet items.

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes						
	Opening balance 1 Jan. 2019	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Model and parameter changes	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 30 Jun. 2019
Financial assets at fair value through other comprehensive income																
Stage 1																
Debt-securities	2	–	–	–	–	1	1	–	–	–	–	–	–	–	–	2
	2	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**
Stage 2																–
Debt-securities	3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3
	3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**
	5	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**
Financial assets at amortised cost																
Stage 1																
Debt-securities	–	1	–	–	–	–	1	–	–	–	–	–	–	–	–	–
Loans and advances	68	20	– 2	–	15	23	50	–	15	–	–	–	3	–	–	62
	68	**21**	**– 2**	**–**	**15**	**23**	**51**	**–**	**15**	**–**	**–**	**–**	**3**	**–**	**–**	**62**
Stage 2																
Debt-securities	10	– 1	–	–	1	–	–	–	–	–	–	–	–	–	–	10
Loans and advances	123	– 20	2	– 4	48	12	23	–	41	–	–	–	– 1	–	–	96
	133	**– 21**	**2**	**– 4**	**49**	**12**	**23**	**–**	**41**	**–**	**–**	**–**	**– 1**	**–**	**–**	**106**
Stage 3																
Loans and advances	3 783	–	–	4	129	169	214	1 504	226	26	– 27	–	77	25	–	2 242
	3 783	**–**	**–**	**4**	**129**	**169**	**214**	**1 504**	**226**	**26**	**– 27**	**–**	**77**	**25**	**–**	**2 242**
	3 984	**–**	**–**	**–**	**193**	**204**	**288**	**1 504**	**282**	**26**	**– 27**	**–**	**79**	**25**	**–**	**2 410**
Total	**3 989**	**–**	**–**	**–**	**193**	**205**	**289**	**1 504**	**282**	**26**	**– 27**	**–**	**79**	**25**	**–**	**2 415**

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes						
	Opening balance 1 Jan. 2019	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Model and parameter changes	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 30 Jun. 2019
Off-balance sheet liabilities																
Stage 1																
Loan commitments	5	–	–	–	1	4	2	–	2	–	–	–	–	–	–	6
Financial guarantees	2	1	–	–	–	1	2	–	–	–	–	–	–	–	–	2
Off-balance-sheet liabilities	5	–	–	–	–	13	13	–	1	–	–	–	–	–	–	4
	12	**1**	**–**	**–**	**1**	**18**	**17**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**–**	**12**
Stage 2																
Loan commitments	4	–	–	–	3	1	–	–	1	–	–	–	– 1	–	–	6
Financial guarantees	10	– 1	–	–	4	–	1	–	–	–	–	–	–	–	–	12
Off-balance-sheet liabilities	2	–	–	–	1	1	–	–	–	–	–	–	1	–	–	5
	16	**– 1**	**–**	**–**	**8**	**2**	**1**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**23**
Stage 3																
Loan commitments	8	–	–	–	8	5	4	–	8	–	–	–	1	–	–	10
Financial guarantees	6	–	–	–	4	–	–	–	–	–	–	–	–	–	–	10
Off-balance-sheet liabilities	20	–	–	–	19	2	–	1	–	–	–	–	2	–	–	42
	34	**–**	**–**	**–**	**31**	**7**	**4**	**1**	**8**	**–**	**–**	**–**	**3**	**–**	**–**	**62**
Total	**62**	**–**	**–**	**–**	**40**	**27**	**22**	**1**	**12**	**–**	**–**	**–**	**3**	**–**	**–**	**97**

The following overview presents the change during the period of the previous year in the risk provisioning for financial assets not measured at fair value through profit and loss and for off-balance-sheet items.

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes						
	Opening balance 1 Jan. 2018	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Model and parameter changes	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 30 Jun. 2018
Financial assets at fair value through other comprehensive income																
Stage 1																
Debt-securities	2	–	–	–	–	3	3	–	–	–	–	–	–	–	–	2
	2	**–**	**–**	**–**	**–**	**3**	**3**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**
Stage 2																
Debt-securities	1	–	–	–	2	–	–	–	–	–	–	–	–	–	–	3
	1	**–**	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**
	3	–	–	–	2	3	3	–	–	–	–	–	–	–	–	5
Financial assets at amortised cost																
Stage 1																
Debt-securities	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1
Loans and advances	79	27	– 4	– 2	11	33	48	–	17	–	–	–	–	–	–	79
	80	**27**	**– 4**	**– 2**	**11**	**33**	**48**	**–**	**17**	**–**	**–**	**–**	**–**	**–**	**–**	**80**
Stage 2																
Debt-securities	12	–	–	–	–	–	–	–	–	–	–	–	–	–	–	12
Loans and advances	197	– 27	4	– 2	43	27	36	8	32	–	–	–	2	–	–	168
	209	**– 27**	**4**	**– 2**	**43**	**27**	**36**	**8**	**32**	**–**	**–**	**–**	**2**	**–**	**–**	**180**
Stage 3																
Loans and advances	2 598	–	–	4	199	507	284	342	465	2	– 36	–	48	– 51	–	2 180
	2 598	**–**	**–**	**4**	**199**	**507**	**284**	**342**	**465**	**2**	**– 36**	**–**	**48**	**– 51**	**–**	**2 180**
	2 887	**–**	**–**	**–**	**253**	**567**	**368**	**350**	**514**	**2**	**– 36**	**–**	**50**	**– 51**	**–**	**2 440**
Total	**2 890**	**–**	**–**	**–**	**255**	**570**	**371**	**350**	**514**	**2**	**– 36**	**–**	**50**	**– 51**	**–**	**2 445**

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes						
	Opening balance 1 Jan. 2018	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Model and parameter changes	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 30 Jun. 2019
Off-balance sheet liabilities																
Stage 1																
Loan commitments	8	–	–	–	1	2	4	–	3	–	–	–	–	–	1	5
Financial guarantees	4	–	– 1	–	–	1	1	–	–	–	–	–	–	–	– 1	2
Off-balance-sheet liabilities	5	–	–	–	1	1	1	–	2	–	–	–	–	–	1	5
	17	**–**	**– 1**	**–**	**2**	**4**	**6**	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**1**	**12**
Stage 2																
Loan commitments	5	–	–	–	2	1	1	–	4	–	–	–	–	–	2	5
Financial guarantees	6	–	1	–	3	–	–	–	1	–	–	–	–	–	2	11
Off-balance-sheet liabilities	1	–	–	–	1	–	–	–	–	–	–	–	–	–	–	2
	12	**–**	**1**	**–**	**6**	**1**	**1**	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**4**	**18**
Stage 3																
Loan commitments	14	–	–	–	1	7	2	–	4	–	–	–	–	–	–	16
Financial guarantees	7	–	–	–	–	–	–	–	–	–	–	–	–	–	– 4	3
Off-balance-sheet liabilities	12	–	–	–	3	20	3	–	1	–	–	–	–	–	–	31
	33	**–**	**–**	**–**	**4**	**27**	**5**	**–**	**5**	**–**	**–**	**–**	**–**	**–**	**– 4**	**50**
Total	**62**	**–**	**–**	**–**	**12**	**32**	**12**	**–**	**15**	**–**	**–**	**–**	**–**	**–**	**1**	**80**

As at 30 June 2019, the risk provisioning attributable to assets impaired upon initial recognition (POCI) amounted to € 0.0 million (€ 0.0 million).

The following overview presents the change during the reporting period in the gross carrying amount of financial assets not measured at fair value.

(in € million)	Opening balance 1 Jan. 2019	Transfer Stage 1	Stage 2	Stage 3	Addition of assets	Disposal of assets	Direct write-offs of assets	Other changes Modification of assets	Currency translation	Change from the basis of consoli-dation	Other Changes	Closing balance 30 Jun.2019
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt-securities	17 959	107	–	–	1 924	3 421	–	–	9	–	–	16 578
Loans and advances	1 737	–	–	–	12	96	–	–	–	–	–	1 653
	19 696	107	–	–	1 936	3 517	–	–	9	–	–	18 231
Stage 2												
Debt-securities	186	– 107	–	–	1	7	–	–	–	–	–	73
	186	– 107	–	–	1	7	–	–	–	–	–	73
	19 882	–	–	–	1 937	3 524	–	–	9	–	–	18 304
Financial assets at amortised cost												
Stage 1												
Debt-securities	3 266	59	–	–	269	284	–	–	15	– 7	7	3 325
Loans and advances	107 464	555	– 846	– 81	15 466	23 008	–	–	59	–	–	99 609
Cash reserve	1 519	–	–	–	2 368	3 414	–	–	19	1	1	494
	112 249	614	– 846	– 81	18 103	26 706	–	–	93	– 6	8	103 428
Stage 2												
Debt-securities	679	– 60	–	–	35	5	–	–	3	–	–	652
Loans and advances	2 524	– 515	851	– 36	756	681	–	–	– 5	–	–	2 894
	3 203	– 575	851	– 36	791	686	–	–	– 2	–	–	3 546
Stage 3												
Loans and advances	2 764	– 42	– 6	132	2 120	778	334	2	35	3	–	3 896
	2 764	– 42	– 6	132	2 120	778	334	2	35	3	–	3 896
POCI												
Loans and advances	–	–	–	–	5	7	–	–	2	–	–	–
	–	–	–	–	5	7	–	–	2	–	–	–
	118 216	– 3	– 1	15	21 019	28 177	334	2	128	– 3	8	110 870
Total	138 098	– 3	– 1	15	22 956	31 701	334	2	137	– 3	8	129 174

The following overview presents the change during the period of the previous year in the gross carrying amount of financial assets not measured at fair value.

(in € million)	Opening balance 1 Jan. 2018	Transfer			Addition of assets	Disposal of assets	Other changes					Closing balance 30 Jun.2018
		Stage 1	Stage 2	Stage 3			Direct write-offs of assets	Modification of assets	Currency translation	Change from the basis of consoli-dation	Other Changes	
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt-securities	19 312	18	–	– 55	1 914	3 098	–	–	17	–	56	18 164
Loans and advances	2 008	–	–	–	37	36	–	–	1	–	– 6	2 004
	21 320	18	–	– 55	1 951	3 134	–	–	18	–	50	20 168
Stage 2												
Debt-securities	208	–	37	–	–	54	–	–	–	–	–	191
	208	–	37	–	–	54	–	–	–	–	–	191
	21 528	18	37	– 55	1 951	3 188	–	–	18	–	50	20 359
Financial assets at amortised cost												
Stage 1												
Debt-securities	4 321	–	–	–	95	589	–	–	12	–	– 2	3 837
Loans and advances	108 164	573	– 704	– 161	12 577	14 048	–	–	248	– 6	204	106 847
Cash reserve	2 436	–	–	–	6 175	6 634	–	–	1	–	– 854	1 124
	114 921	573	– 704	– 161	18 847	21 271	–	–	261	– 6	– 652	111 808
Stage 2												
Debt-securities	632	–	–	–	1	21	–	–	9	–	–	621
Loans and advances	3 407	– 472	605	– 56	359	629	–	–	25	–	– 55	3 184
	4 039	– 472	605	– 56	360	650	–	–	34	–	– 55	3 805
Stage 3												
Loans and advances	5 441	–	– 1	217	1 028	1 456	274	–	87	– 85	76	5 033
	5 441	–	– 1	217	1 028	1 456	274	–	87	– 85	76	5 033
Simplified approach	1 296	–	–	–	1 190	1 222	–	–	–	–	–	1 264
	125 697	101	– 100	–	21 425	24 599	274	–	382	– 91	– 631	121 910
Total	147 225	119	– 63	– 55	23 376	27 787	274	–	400	– 91	– 581	142 269

(29) Derivative financial instruments

The composition of the portfolio of derivative financial instruments is as follows:

(in € million)	Nominal values		Positive fair value		Negative fair value	
	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018	30 Jun. 2019	31 Dec. 2018
Interest-rate risk	302 218	302 434	5 908	4 865	5 212	4 246
Currency risk	40 527	35 226	480	443	880	837
Credit derivatives risks	120	122	2	2	3	6
Share-price and other price risks	2 948	3 494	70	62	2	10
Total	**345 813**	**341 276**	**6 460**	**5 372**	**6 097**	**5 099**

(30) Regulatory data

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

	30 Jun.2019 (in € million)	31 Dec.2018 [1)] (in € million)
Total risk exposure amount	**44 468**	**44 895**
Capital requirements for credit risk	2 956	2 901
Capital requirements for operational risks	321	392
Capital requirements for market risks	188	225
Capital requirements for settlement risks	–	2
Capital requirements for loan amount adjustments	92	71
Other or transitional capital requirements	–	–
Capital requirements	**3 557**	**3 592**

[1)] The regulatory reporting data as at 31 December 2018 have been restated due to changes in regulatory requirements for the presentation of Pillar II requirements and due to corrections (for corrections see Note (2) Restatement of privious year figures).

Below we present the composition of regulatory equity for the Group in accordance with Article 25 ff. CRR:

	30 Jun.2019 (in € million)	31 Dec.2018 [1)] (in € million)
Paid-up capital including premium	2 579	4 930
Retained profits	1 449	– 900
Accumulated OCI	– 609	– 435
Regulatory adjustments	– 169	– 186
– Deductible items (from CET 1 capital)	– 326	– 461
Adjustments due to transition rules	25	28
Common Equity Tier 1 capital	**2 949**	**2 976**
Paid-in instruments of additional Tier 1 capital	50	50
Additional Tier 1 Capital instruments due to grandfathering	266	355
– Deductible items (from Additional Tier 1 capital)	– 1	–
Additional Tier 1 capital	**315**	**405**
Tier 1 capital	**3 264**	**3 381**
Paid-up instruments of Tier 2 capital	2 377	2 487
Other components of Tier 2 capital	188	182
– Deductible items (from Tier 2 capital)	– 14	– 23
Adjustments due to transition rules	– 254	– 339
Tier 2 capital	**2 298**	**2 307**
Own funds	**5 562**	**5 688**

[1)] The regulatory reporting data as at 31 December 2018 have been restated due to changes in regulatory requirements for the presentation of Pillar II requirements and due to corrections (for corrections see Note (2) Restatement of privious year figures).

	30 Jun.2019 (in %)	31 Dec.2018 [1)] (in %)
Common equity tier 1 capital ratio	6.63%	6.63%
Tier 1 capital ratio	7.34%	7.53%
Total capital ratio	12.51%	12.67%

[1)] The regulatory reporting data as at 31 December 2018 have been restated due to changes in regulatory requirements for the presentation of Pillar II requirements and due to corrections (for corrections see Note (2) Restatement of privious year figures).

Due to the presentation in million €, the reproduction of mathematical operations in the tables at hand can lead to minor differences.

(31) Contingent Liabilities and other Obligations

	30 Jun.2019 (in € million)	31 Dec.2018 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	3 772	3 977	– 5
Other contingent liabilities	49	41	20
	3 821	**4 018**	**– 5**
Other obligations			
Credit commitments	6 082	6 837	– 11
Total	**9 903**	**10 855**	**– 9**

(32) Related Parties

The scope of transactions (excluding transactions eliminated as part of the consolidation) with related companies and persons can be seen in the following lists:

30 Jun.2019 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**364**	**–**	**–**	**44**	**–**	**11**
Derivates	95	–	–	44	–	8
Debt-securities and other fixed-interest securities	84	–	–	–	–	–
Loans and advances	185	–	–	–	–	3
Financial assets at fair value through profit or loss	**76**	**–**	**–**	**–**	**–**	**–**
Debt-securities and other fixed-interest securities	76	–	–	–	–	–
Financial assets mandatorily at fair value through other comprehensive income	**1 328**	**–**	**–**	**–**	**–**	**–**
Debt-securities and other fixed-interest securities	**1 255**	**–**	**–**	**–**	**–**	**–**
Loans and advances	73	–	–	–	–	–
Financial assets at amortised costs	**1 650**	**26**	**–**	**272**	**2**	**344**
Loans and advances	1 650	26	–	272	2	344
Other assets	**88**	**6**	**–**	**–**	**–**	**–**
Total	**3 506**	**32**	**–**	**316**	**2**	**355**

30 Jun.2019 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**115**	**–**	**–**	**21**	**–**	**–**
Derivates	115	–	–	21	–	–
Financial liabilities designated at fair value through profit or loss	**48**	**–**	**–**	**–**	**–**	**77**
Deposits	48	–	–	–	–	77
Financial liabilities at amortised costs	**202**	**83**	**2**	**403**	**2**	**353**
Deposits	202	36	2	403	2	353
Other financial liabilities	–	47	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**365**	**84**	**2**	**424**	**2**	**430**
Guarantees and sureties received	70	–	–	–	–	–
Guarantees and sureties granted	–	–	–	10	–	4

1 Jan. - 30 Jun.2019 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest income	48	1	–	4	–	3
Interest expense	11	1	–	5	–	4
Commission income	4	–	–	–	–	–
Other income/expense	–	5	–	–	– 2	–
Total	**41**	**5**	**–**	**– 1**	**– 2**	**– 1**

As at the reporting date there were impairments for loans and advances to non-consolidated subsidiaries amounting to € 23 million (€ 22 million).

31 Dec.2018 (in € million)	Companies with significant influence	Subsidaries before ad-just-ment[1)]	Subsidaries after adjust-ment[1)]	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**472**	**292**	**–**	**40**	**–**	**19**
Derivates	130	224	–	40	–	8
Debt-securities and other fixed-interest securities	128	31	–	–	–	–
Loans and advances	214	37	–	–	–	11
Financial assets at fair value through profit or loss	**91**	**19**	**–**	**–**	**–**	**–**
Debt-securities and other fixed-interest securities	91	–	–	–	–	–
Loans and advances	–	19	–	–	–	–
Financial assets mandatorily at fair value through other comprehensive income	**1 425**	**3 345**	**–**	**–**	**–**	**–**
Debt-securities and other fixed-interest securities	**1 326**	**3 345**	**–**	**–**	**–**	**–**
Loans and advances	99	–	–	–	–	–
Financial assets at amortised costs	**1 746**	**2 737**	**3**	**297**	**1**	**374**
Loans and advances	1 746	2 737	3	297	1	374
Other assets	**87**	**7**	**7**	**–**	**–**	**–**
Total	**3 821**	**6 400**	**10**	**337**	**1**	**393**

31 Dec.2018 (in € million)	Companies with significant influence	Subsidaries before ad-just-ment[1)]	Subsidaries after adjust-ment[1)]	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**47**	**341**	**–**	**9**	**–**	**–**
Derivates	47	338	–	9	–	–
Delivery obligations from short-sales	–	3	–	–	–	–
Financial liabilities desig-nated at fair value through profit or loss	**47**	**–**	**–**	**–**	**–**	**73**
Deposits	47	–	–	–	–	73
Financial liabilities at amortised costs	**430**	**774**	**3**	**428**	**2**	**428**
Deposits	430	739	3	428	2	427
Securitised liabilities	–	–	–	–	–	1
Other financial liabilities	–	35	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**524**	**1 116**	**3**	**437**	**2**	**501**
Guarantees and sureties received	95	–	–	–	–	–
Guarantees and sureties granted	–	114	–	37	–	7

1 Jan. - 30 Jun.2018 (in € million)	Companies with significant influence	Subsidaries before adjustment[1)]	Subsidaries after adjustment[1)]	Associated companies	Persons in key positions	Other related parties
Interest income	57	77	1	5	–	6
Interest expense	11	25	–	8	–	5
Commission income	4	2	–	–	–	–
Other income/expense	6	19	–	– 10	2	– 1
Total	**56**	**73**	**1**	**– 13**	**2**	**–**

[1)] The previous year's comparative figures for transactions with subsidiaries were corrected due to the fact that internal Group transactions were not eliminated.

As at 31 December 2018, there were neither assets nor liabilities in respect of joint ventures. Liabilities from deposits measured at amortised cost amounted to € 2 million (€ 3 million) and commission expenses amounted to €0 million (€ 1 million).

(33) Equity Holdings

Company name and registered office	Shares (%) indirect	Shares (%) direct
Subsidiaries included in the consolidated financial statements		
BGG Bremen GmbH & Co. KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	–	100.00
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover	–	100.00
GBH Beteiligungs-GmbH, Bremen	–	100.00
KreditServices Nord GmbH, Braunschweig	–	100.00
Nieba GmbH, Hannover	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hannover	–	100.00
NORD/LB Leasing GmbH, Oldenburg	–	100.00
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	90.00	10.00
TLN-Beteiligung Anstalt des öffentlichen Rechts & Co. KG, Hannover	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Special Purpose Entities included in the consolidated financial statements		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
First Fleet Rita UG (haftungsbeschränkt) & Co. KG, Bremen	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg/Weser	–	–
Fürstenberg Capital II. GmbH, Fürstenberg/Weser	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
Hannover Funding Company LLC, Dover / USA	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
MS "Mistral Strait" UG (haftungsbeschränkt) & Co. KG, Bremen	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Investment funds included in the consolidated financial statements		
NORD/LB AM ALCO	–	100.00
NORDLB SICAV-RAIF S.C.Sp. Aviation 1, Luxemburg	–	100.00
NORD/LB SICAV-RAIF S.C.Sp.-Infrastructure & Renewables GBP 2, Luxemburg	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint Ventures		
caplantic GmbH, Hannover	–	45.00
Associated companies	–	–
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	–	32.26
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	–	22.22
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	–	44.00
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
Öffentliche Lebensversicherung Braunschweig, Braunschweig [1)]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [1)]	–	75.00
After IFRS 5 valuated companies		
Special Purpose Entities		
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
Associated companies	–	–
Toto-Lotto Niedersachsen GmbH, Hannover	–	49.85

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

Preparation and Review

Review Report

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

We have reviewed the condensed interim consolidated financial statements of Norddeutsche Landesbank - Girozentrale – comprising the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and the condensed notes – together with the interim group management report of Norddeutsche Landesbank - Girozentrale – , Hanover, Brunswick and Magdeburg (NORDLB), and their subsidiaries (the Group) for the period from 1 January to 30 June 2019, which are part of the semi-annual report in accordance with § 115 of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the International Accounting Standard IAS 34 Interim Financial Reporting applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 Interim Financial Reporting applicable to interim financial reporting as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. We cannot issue an auditor’s report because our engagement did not involve a financial statement audit.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34 Interim Financial Reporting applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Without qualifying this opinion, we refer to the statements in the interim group management report in the “Statements regarding the Bank as a going concern” section and in the condensed notes in the “Principles for the preparation of the Interim Consolidated Financial Statements” section. The Management have stated there that the going concern assumption made for accounting and measurement purposes as well as the continued existence of NORD/LB and Group companies of material relevance are subject to considerable uncertainty and are based in particular on the assumption that the measures agreed in the basic agreement of 21 June 2019 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 DSGV, with the result that the capital ratios and buffers as well as the thresholds demanded by the regulators will in future be met again,

- 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 demanded by the regulators until the measures pursued to reinforce capital on the level of NORD/LB have been completed,

- all official permits required to implement the plan, particularly from the European 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 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 refinancing options fundamentally restricted.

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

As described in the statements in the interim group management report in the section " Statements on the Going Concern Assumption" and in the condensed notes in the section "Principles for the Preparation of the Consolidated Financial Statements", the events and circumstances described above indicate the existence of material uncertainties that may cast significant doubt on the ability of the Bank to continue its business activities and pose risks to its continued existence within the meaning of § 322 (2) sentence 3 HGB. Our audit opinions have not been modified with regard to this matter.

Hanover, 26 August 2019
KPMG AG
Wirtschaftsprüfungsgesellschaft

Wiechens
Wirtschaftsprüfer

Bormann
Wirtschaftsprüfer

Responsibility Statement

We declare that to the best of our knowledge and in accordance with applicable accounting principles, the semi-annual consolidated financial statements provide a true and fair view of the Group's financial position and financial performance and that the Group management report presents a true and fair view of the development of business, including the operating results and the position of the Group, and also describes the significant opportunities and risks relating to the probable development of the Group in the remainder of the financial year.

Hanover / Braunschweig / Magdeburg, 26 August 2019

Norddeutsche Landesbank –Girozentrale-

The Managing Board

Bürkle Dieng Dr. Holm

Schulz Tallner

Other Information

Members of Governing Bodies

(As at: 30 June 2019)

1. Members of the Managing Board

Thomas S. Bürkle (Chairmann of the Managing Board))

Dr. Hinrich Holm (Dep. Chairmann of the Managing Board)

Christoph Dieng

Christoph Schulz

Günter Tallner

2. Members of the Supervisory Board

Chairman
Reinhold Hilbers
Minister
Ministry of Finance Lower Saxony

1st. Deputy Chairman
Thomas Mang
President
Sparkassenverband, Lower Saxony

2nd. Deputy Chairman
Michael Richter
Minister
Ministry of Finance Saxony-Anhalt

Members
Frank Berg
CEO
OstseeSparkasse Rostock

Edda Döpke
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Doods
Secretary of State
Lower Saxony Ministry for Environment, Energy and Climate Protection

Dr. Jürgen Fox
CEO
Saalesparkasse

Astrid Hamker
Business Consultant

Frank Hildebrandt
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mädge
Mayor oft he Hanseatic City of Lüneburg

Ulrich Markurth
Mayor of Braunschweig

Ludwig Momann
CEO
Sparkasse Emsland

Felix von Nathusius
Businessman
Inteb-M GmbH

Frank Oppermann
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Freddy Pedersen

Jörg Reinbrecht
Trade Union Secretary
ver.di Bezirk Hannover

Stefanie Rieke
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Forward-looking Statements

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

Our annual and interim reports are available for download at www.nordlb.com/nordlb/investor-relations/reports/.

For questions about the reports, please contact our Investor Relations department.
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Branches (including Braunschweigische Landessparkasse)

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

In total, there are more than 100 branches and SB centres in the Braunschweigische Landessparkasse business region. Details can be found at https://www.blsk.de

Foreign branches
London, New York, Singapore, Shanghai