1765
1840
1915
1919
1970
1985
1992

Q1 2016

NORD/LB
Die norddeutsche Art.

Always in motion.

Interim Report as at 31 March 2016

Finanzgruppe

NORD/LB at a Glance

Income Statement (in € million)	1 Jan – 31 Mar 2016 (in € million)	1 Jan – 31 Mar 2015 (in € million)	Change (in %)
Net interest income	457	501	– 9
Loan loss provisions	435	104	> 100
Net commission income	54	55	– 2
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	266	**142**	87
Profit/loss from financial assets	7	2	> 100
Profit/loss from investments accounted for using the equity method	– 7	–	–
Administrative expenses	297	284	5
Other operating profit/loss	– 136	**– 77**	77
Earnings before reorganisation and taxes	**– 91**	**235**	**> 100**
Reorganisation expenses	– 7	– 6	17
Earnings before taxes	**– 98**	**229**	**> 100**
Income taxes	– 14	73	> 100
Consolidated profit	**– 84**	**156**	**> 100**

Key figures (in %)	1 Jan – 31 Mar 2016 (in € million)	1 Jan – 31 Mar 2015 (in € million)	Change (in %)
Cost-Income-Ratio (CIR)	46,9%	45,7%	– 3
Return on Equity (RoE)	– 4,8%	13,5%	> 100

Balance figures (in € million)	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Total assets	181 904	180 998	1
Customer deposits	58 178	60 597	– 4
Customer loans	106 287	107 878	– 1
Equity	8 312	8 513	– 2

Regulatory key figures	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Common equity tier 1 capital (in € million)	8 020	8 320	– 4
Tier 1 capital (in € million)	8 285	8 440	– 2
Tier 2 capital (in € million)	2 343	2 207	6
Own funds (in € million)	10 628	10 647	–
Total risk exposure amount (in € million)	63 749	63 675	–
Common equity tier 1 capital ratio (in %)	12,58%	13,07%	– 4
Total capital ratio (in %)	16,67%	16,72%	–

	Rating	Date of rating
Moody's	A3 / P-1 / ba2	9 February 2016
Fitch Ratings	A- / F1 / bb+	12 May 2016

The rounding of figures may result in minor differences in the totals and percentages calculated in this report.

Interim Group Management Report as at 31 March 2016

The Group – Basic Information

Business Model

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

The issued capital amounts to € 1,607,257,810, with the federal state of Lower Saxony holding 59.13 per cent (of which 38.11 per cent is held in trust for the state-owned Hannoversche Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt 5.57 per cent, the Lower Saxony Association of Savings Banks and Girobanks 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 business bank, landesbank (state bank) and a central bank for the savings banks operating in Northern Germany and beyond the core region with branches in Hamburg, Munich, Düsseldorf, Schwerin, Stuttgart, London, New York, Shanghai and Singapore.

- As a landesbank for the states of Lower Saxony and Saxony-Anhalt, it performs the functions of a central and clearing bank for the savings banks (Girozentrale). The Bank also handles promotional loans on behalf of the federal states through Investitionsbank Sachsen-Anhalt, an institute of Norddeutsche Landesbank Girozentrale, and through Landesförderinstitut Mecklenburg-Vorpommern (LFI), a division of Norddeutsche Landesbank Girozentrale.
- NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony and is the partner for all of the savings banks in these states. It also acts as a service provider for savings banks in other German states such as Schleswig-Holstein. NORD/LB provides all of the services which the savings banks require for their activities.
- In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergy effects, reinforcing customer divisions and bundling service offerings. The NORD/LB Group comprises among others
- Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen (hereafter Bremer Landesbank),
- Norddeutsche Landesbank Luxembourg S. A., Covered Bond Bank, Luxemburg-Findel (hereafter NORD/LB Luxembourg),
- Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (hereafter Deutsche Hypo) and
- LBS Norddeutsche Landesbausparkasse, Berlin, Hanover (hereafter LBS).

The Bank also holds other investments as shown in the disclosures of the notes.

Strategic Development of NORD/LB

In the annual strategy process NORD/LB develops and reviews as the parent company together with its significant subsidiaries the strategic direction for the next five years.

Based on the economic conditions, the NORD/LB Group will continue to pursue its proven customer-oriented business model and its risk-conscious business policy. The essence of the business model is to focus business activities closely on customer needs and to continually improve its risk-adjusted profitability. In the process the focus is increasingly on separating earnings growth from total risk exposure growth and to secure its refinancing. NORD/LB continues to focus on its customer business.

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

Control Systems

The NORD/LB Group’s control system is based on an annual process in which the strategic objectives are confirmed or revised in the spring by the Managing Board, based upon which the targets for the plan for the following year are set in the autumn. In a two-way process, the top-down/bottom-up planning is synchronised and completed by the year-end.

The key control indicators here are Return on Equity (RoE) and at business segment level the Return on Risk-adjusted Capital (RoRaC), the Cost-Income Ratio (CIR) and earnings before taxes.

Return on equity (RoE)	Earnings before taxes / Long-term equity under commercial law Long-term equity under commercial law = reported equity – revaluation reserve – earnings after taxes
Return on risk-adjusted capital at segment level (RoRaC)	Earnings before taxes / committed capital of the higher of the total risk exposure amount limits and the amount called on
Cost-income ratio (CIR)	Administrative expenses / Total earnings including balance of other income and expenses

Risk Management

The risk management of the NORD/LB Group, the corresponding structures and procedures, the processes and methods implemented for measuring and monitoring risk and the risks to the Group's development were described in detail in the Annual Report 2015. Only significant developments in the period under review are addressed in this interim report.

Economic Report

General Economic and Industry-specific Environment

Economic Environment

Global economic development was fairly uneven in the first quarter. In the USA growth slowed following an already moderate previous quarter, according to initial estimates the annualised increase in price and seasonally-adjusted gross domestic product was only 0.8 per cent at the start of the year compared to the previous quarter. In the same period economic growth increased in the eurozone by 0.5 per cent compared to the previous quarter. China remained, despite a slight fall in the annual growth rate to 6.7 per cent, on course for moderate growth.

In the eurozone the economic recovery picked up significantly at the start of 2016. The quarterly growth rate for gross domestic product (GDP) rose from 0.3 per cent to a good 0.5 per cent. Among the major economies, Germany, Spain and France impressed with very strong growth rates. The growth was based on private consumption and investment. However, part of this positive development is due to special effects. Besides the mild weather conditions, which had a noticeable impact on economic activity in particular in Germany, and in primarily in the construction sector, in France above all a catch-up effect probably contributed to the strong growth in consumption. Across the eurozone, though, the very low inflation rate and the noticeable drop in the unemployment rate created favourable conditions for higher real private consumption. The unemployment rate fell by March 2016 to 10.2 per cent. While domestic demand boosted economic growth, foreign trade provided little impetus in the first three months. The economic recovery was an important factor in the deficit ratio falling again in the past year to 2.1 per cent of GDP.

The German economy had an excellent start to 2016. In the first quarter of 2016 real gross domestic product grew by 0.7 per cent compared to the previous quarter. Economic growth was therefore well above the potential growth. As in the previous year, private consumption was again a reliable mainstay of the economy. This was due in particular to high real wage growth and the good employment situation. In March, with the seasonally-adjusted number of people in gainful employment reaching almost 43.4 million, a new employment record was achieved. A catch-up effect in industrial production and the very mild weather conditions also had a positive impact, and this was reflected in an increase in investment.

The development in the capital markets was characterised at the start of the year by a high level of nervousness due to increased risks and a slowdown in global growth. Poor economic data was reported for a period in particular from China, as well as from the USA. Market participants subsequently avoided risky assets and increasingly sought safe investments. German government bonds were therefore much in demand, for a period all German government bonds with a term up to 9 years had negative yields. The markets were also influenced by the actions taken by the central banks. As expected the Federal Reserve remained cautious following the change in the base rate in December 2015 and has so far avoided any further tightening of monetary conditions. The European Central Bank (ECB), on the other hand, has once again accelerated its expansive monetary policy. Besides a lowering of the deposit facility rate to -0.40 per cent and the rate for main refinancing operations to 0.00 per cent, further changes for the ECB's expanded asset purchase programme (EAPP) were decided, including an increase in the purchases to € 80 billion per month and extending it to cover the corporates asset class. In addition, a new series of targeted longer-term refinancing operations (TLTRO II) were approved. This is new territory for the ECB, under certain conditions it is even prepared to provide the banks with liquidity at a negative interest rate. The low level of interest rates will therefore remain as in the previous year. The US dollar only benefited for a short period from the raising of interest rates by the Federal Reserve and the measures taken by the ECB, most recently the euro has been rising in value against the US dollar towards USD 1.15. The EUR/USD cross currency basis swaps initially widened significantly in the first quarter of 2016 following the increase in the base rate by the Federal Reserve at the end of 2015. For a period the spreads in the five and ten-year segments were greater than -50 basis points. After the capital markets stabilised to a degree, the spreads narrowed from mid-March very quickly to under -45 basis points in the five and ten-year segments.

Aircraft

According to the International Air Transportation Organisation (IATA), global revenue passenger kilometres (RPK) increased in the first three months of 2016 in the global market by 7.0 per cent compared to the same period of the previous year. The growth rates were 7.5 per cent for international traffic and 6.0 per cent for domestic traffic. Significant geographical differences were behind these developments. There were above-average growth rates in global passenger transport in the Middle East (10.8 per cent), Africa (10.4 per cent) and Asia/Pacific (8.6 per cent) regions. The effects of the slowdown in the global economy, the refugee crisis in Europe and the increase in terrorism due to IS have not had a negative impact on passenger traffic so far.

In the airfreight market a slowdown in growth in the number of freight tonne kilometres (FTK) sold seems to be quite likely. In 2015 FTK growth was on average 2.2 per cent, in the first three months it fell by 2.1 per cent. However, airfreight growth experienced a boom in the first half of 2015 due to the US west coast port strike. Therefore any comparison with the previous year's figures will be of limited benefit. The drivers of growth were the Middle East airfreight companies, which grew by 5.7 per cent compared to the same period of the previous year.

Shipping

Competitive pressure remained high in the shipping market at the start of the year. In the container sector, the attempts by the shipping lines to stabilise freight rates on the major East-West and North-South routes were not successful in the first three months of 2016. In 2015 the global container fleet increased by 8.6 per cent due to a wave of deliveries of in particular large container ships, while container handling increased only marginally (+1.1 per cent). In the first quarter of 2016 demand was again below expectations. In particular the charter market showed hardly any reaction to the end of the Chinese New Year celebrations in mid-February. Due to the surplus capacity, the number of undeployed ships rose significantly in March, with the idle fleet exceeding 1.5 million TEU as a result. The hopes of a quick reversal in the trend in the dry bulk sector were not realised at the start of the year. The fall of the Baltic Dry Index continued with the first set of data in January and ended with an all-time low of 290 points in February. Statements by major mining companies that they were going to limit excessive production resulted in a slight recovery in ore prices. Positive stimulus also came from China (stock replenishment), which resulted in a slight increase in demand. However, the Baltic Dry Index was unable to completely make up for the loss since January by the end of the quarter. The absence of new bulker orders is to be viewed as positive, but also reflects the weak state of the market and the lack of optimism.

In the tanker sector there was initially an adjustment due to mild winter demand and maintenance work in refineries in the first half of the quarter. With volatility remaining high, though, rate levels recovered in March due to replenishment effects and increasing demand from Asia. However, time charter rates in the tanker market at the end of the last quarter were in some cases well below the rate levels at the end of 2015. Sustained low oil prices have not, despite a marginal recovery, provided any stimulus for the global offshore industry. Despite the crises in merchant shipping, optimism in the cruise industry continues, as shown by the positive sentiment at the ITB in March. The industry is expecting growth in passenger numbers in particular in Germany in 2016.

Real Estate

Global real estate markets recorded a relatively poor first quarter for 2016. Turnover fell compared to the same quarter of the previous year (Q1 2015) from USD 154 illion to USD 133 billion (-14 per cent). The rent markets were on the whole stable in the first quarter.

In Europe the markets followed closely the global trend in respect of turnover (Q1 2015 compared to

Q1 2016), with turnover down by 15 per cent. In particular UK (-34 per cent), France (-24 per cent) and Germany (-8 per cent) recorded a high fall in turnover.

The fall in turnover in Germany was much more moderate than the global trend and is due mainly to a drop in investment in retail and in real estate portfolios. Strong growth rates continue to be recorded in particular in the logistics and warehousing sector.

Finance Sector

The European banking market has for years been characterised by constant change. A number of external factors have been responsible for this. In particular changes triggered by the financial market crisis, namely weaker economic growth, low interest rates and increasing regulation should be highlighted. In addition to this, the continuing digitisation of the economy is having a growing impact on the banking sector. All of these factors together have resulted in a decline in the number of banks in the EU over a number of years.

The market volume is, measured by the growth in credit volume, despite the increase in demand for credit and moderate softening of lending standards, restrained. Besides this, in most European banking markets there is a high density of competition, competition is therefore intense. European banks only have limited potential for growth, particularly as the historically low interest rates are putting pressure on interest margins.

European banks are currently pursuing different strategies to counter the changes in the economic environment, and in particular the low interest rates. The majority of banks have started the process of realigning their business models and business segments. Few market participants are pursuing expansive strategies, which generally involve opening up new markets or acquisitions. Rising costs and growing pressure due to regulatory requirements are combated by virtually all banks with measures to improve cost structures in order to improve efficiency.

The aforementioned developments are having a direct impact on the long-term earnings power of banks and therefore ultimately on their ability to absorb risks and build up capital reserves. On the other hand there has also been a drop in funding costs, from which in particular banks in the under-pressure banking markets in the peripheral countries of the eurozone are benefiting. A stronger economic environment in some of these markets has been accompanied by a reduction in loan losses.

The ECB, as the highest supervisory body for the European financial market, is stepping up its regulatory activity. As a result of this and numerous changes in law, due among other things to the introduction of the Single Resolution Mechanism, the requirements to hold loss absorption capital (equity and debit instruments) will increase.

Significant Events in the Financial Year

Capital Measures

NORD/LB continued to strengthen its regulatory capital in the first quarter of 2016. For this purpose and against the background of the regulatory requirements applicable throughout the EU from 2016 concerning the participation of creditors of a bank in its losses in the event of restructuring or insolvency (bail-in), subordinated liabilities with a nominal total value of € 156 million were taken on.

Regulatory Requirements Concerning Minimum Capital

In addition to the minimum capital ratios of the CRR that need to be met, the European Central Bank (ECB) has as the regulatory authority responsible for NORD/LB at Group level since March 2015 required that an individual minimum ratio for Common Equity Tier 1 capital was met, which until the end of 2015 was based on the logic of the CRR (transitional provisions not considered) and from the start of 2016 was adjusted in terms of method and amount to a minimum ratio for Common Equity Tier 1 capital in accordance with the CRR (transitional provisions considered). This individual minimum ratio for Common Equity Tier 1 capital was 9.25 per cent at the start of 2016 and will rise by the end of 2016 to 9.75 per cent. It includes the capital-maintenance buffer that has been required by law since the start of 2016.

The Banking Supervision has notified NORD/LB that it is classified as a national system-relevant bank and announced that from the start of 2017, in addition to the current minimum capital requirements and capital buffers, NORD/LB has to hold a further capital buffer for other system-relevant banks. The capital buffer to be held will in 2017 be 0.33 per cent, in 2018 0.66 per cent and from 2019 1.0 per cent of risk-weighted assets.

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

Before the capital measures could be implemented in 2011 and 2012, they needed to be reviewed and approved by the EU Commission. The capital measures were approved based on a restructuring plan agreed in 2012 between the Bank, its owners, the German Government and the EU Commission. An independent trustee monitors whether the commitments made are being kept.

Based on the commitments that apply at most to the end of 2016, NORD/LB can continue to focus on its proven business model. In the current financial year some of the commitments have already been successfully implemented.

NORD/LB, the German Government and the EU Commission agreed on significant points such as the future focus of the Group's business segments, a reduction in the Group's total assets and the optimisation of cost levels.

Efficiency Improvement Programme

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

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

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

In the last few years further concrete measures were developed to improve NORD/LB’s structures and processes were developed and instructions were given for their implementation.

IT Roadmap

NORD/LB’s IT is based on established and customary processes. Much of it is provided together with the S-Finance Group’s Finanz Informatik.

NORD/LB invests continually in updating and developing its IT in order to support its business processes in an optimal and cost-efficient manner and to meet national, internal and European regulatory requirements concerning IT. It focuses on consolidating much of the IT infrastructure in the area of Finanz Informatik, updating the credit IT systems and adjusting the systems of Bank Controlling.

Report on the Earnings, Assets and Financial Position

(In the following text the previous year's figures for the first three months of 2015 or as at 31 December 2015 are shown in brackets.)

Earnings Position

The NORD/LB Group's earnings before taxes in the first three months of 2016 totalled € – 98 million. The figures for the income statement are summarised as follows:

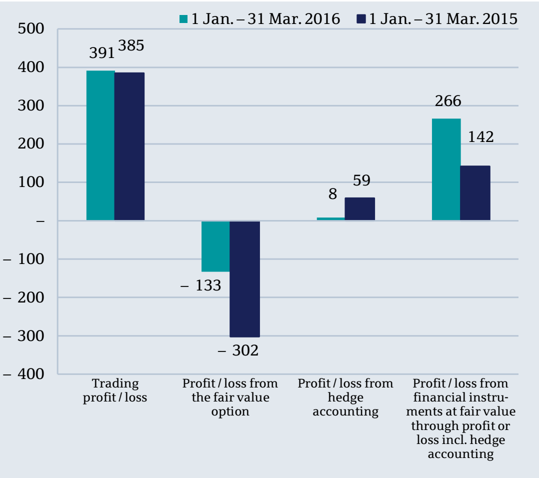
	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Net interest income	457	501	– 9
Loan loss provisions	435	104	> 100
Net commission income	54	55	– 2
Profit/loss from financial instruments at fair value through profit or loss fair value through profit or loss including Hedge Accounting	266	142	87
Profit/loss from financial assets	7	2	> 100
Profit/loss from investments accounted for using the equity method	– 7	–	–
Administrative expenses	297	284	5
Other operating profit/loss	– 136	– 77	77
Earnings before reorganisation and taxes	**– 91**	**235**	**> 100**
Reorganisation expenses	– 7	– 6	17
Earnings before taxes	**– 98**	**229**	**> 100**
Income taxes	– 14	73	> 100
Consolidated profit	**– 84**	**156**	**> 100**

Slight fall of € 44 million in **net interest income** due to continuing low level of interest rates in the money and capital market compared to the previous year to € 457 million. The fall in interest income of € 258 million is higher than the fall in interest expenses of € 214 million. On the income side in particular interest income from lending and money market transactions and interest income from financial instruments at fair value through profit or loss decreased. In 2015 among several things security portfolios with high coupons were sold and fixed-interest rates in lending business matured. Reinvestment takes place at less favourable conditions. The previous year was also influenced positively by higher-than-planned prepayment penalties, which have fallen back to the normal level in the current period. On the expenses side, in particular the reduction in liabilities to banks and customers has contributed to the significant reduction in interest expenses from lending and money market transactions. Variable volumes of derivatives have also resulted in a reduction in interest expenses from financial instruments at fair value through profit or loss.

Expenses related to **loan loss provisions** increased by € 331 million compared to the same period of the previous year to € 435 million. This effect is due to the € 333 million increase in net allocations to specific valuation allowances mainly in Ship Finance and in the Corporate Customers segment. The other earnings components of loan loss provisions were virtually unchanged compared to the previous year.

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

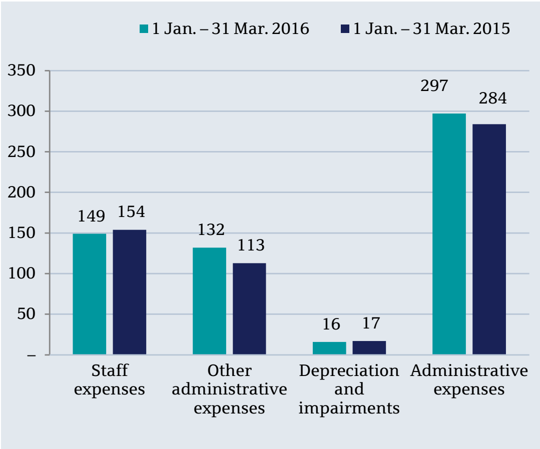
The **profit/loss from financial instruments at fair value through profit or loss including hedge accounting** was € 266 million and therefore increased by € 124 million compared to the previous year. Compared to the same period of the previous year, both profit/loss from the use of the fair value option and trading profit/loss improved. The trading profit/loss was affected by the positive development in valuation gains/losses and realised profits/losses for debt securities and bonded loans as well as interest derivatives due to the fall in EUR and USD interest rates compared to the previous year. The positive development in profit/loss from current is also reflected. On the other hand income from currency derivatives decreased. Income from share-based derivatives also decreased due to the negative development in significant share values in the first quarter of 2016. Inverse interest-induced and own credit-spread-induced effects affect the profit/loss from the use of the fair value option, which although negative, is still an improvement of € 169 million compared to the first quarter of the previous year. The profit/loss from hedge accounting totals € 8 million and underlines the effectiveness of the method of portfolio fair value hedge accounting to significantly reduce interest-induced volatility of profit/loss. The change in profit/loss is due in particular to the diverging fluctuations of the interest-rate curves (forward and discount curve) in the first few months of the year.



The **profit/loss from financial assets** is at the previous year's level. The € 58 million fall in realised profit/loss compared to the same period of the previous year was more than compensated for by lower valuation allowances.

The **profit/loss from investments accounted for using the equity method** is also close to the previous year's figure.

Administrative expenses increased by € 13 million compared to the comparable period of the previous year. This development is mainly due to the € 15 million increase in levies and contributions for the NORD/LB Group to the security reserve for landesbanks, which are already recognised in the period under review in the amount of the expected annual contribution, and contributions to the ECB levy. Staff expenses were reduced by € 5 million because the implementation of savings programmes more than compensated for the effects of pay rises.



Other operating profit/loss reduced compared to the previous year by € 59 million to € - 136 million. This is mainly due to the increased negative net effect of the redemption of registered bonds, promissory notes and issued debt securities. The € 21 million reduction in expenses relating to the EU bank levy to € 49 million had a positive effect.

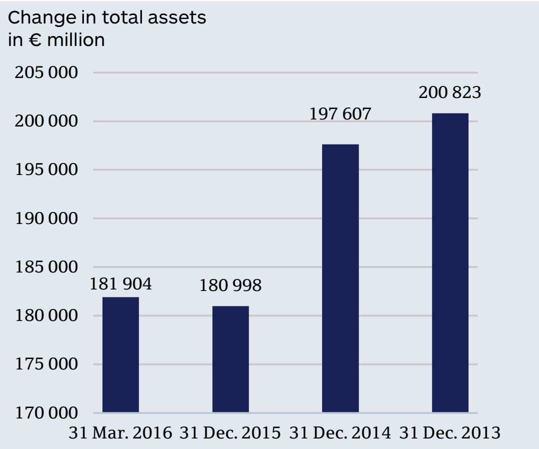
The **reorganisation expenses** of € -7 million primarily comprise allocations made to reorganisation provisions as part of the efficiency improvement programme for contractual agreements already concluded as at the balance sheet date concerning the termination of contracts of employment.

In the reporting period special tax effects were not considered in the **income taxes**.

Assets and Financial Position

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Loans and advances to banks	22 273	21 194	5
Loans and advances to customers	106 287	107 878	– 1
Risk provisioning	– 3 163	– 2 919	8
Financial assets at fair value through profit or loss	15 930	14 035	14
Positive fair values from hedge accounting derivatives	3 022	2 507	21
Financial assets	34 065	34 515	– 1
Investments accounted for using the equity method	294	290	1
Other assets	3 196	3 498	– 9
Total assets	**181 904**	**180 998**	1
Liabilities to banks	47 841	48 810	– 2
Liabilities to customers	58 178	60 597	– 4
Securitised liabilities	37 597	35 877	5
Financial liabilities at fair value through profit or loss	17 879	16 057	11
Negative fair values from hedge accounting derivatives	3 607	3 148	15
Provisions	2 687	2 428	11
Other liabilities	1 922	1 269	51
Subordinated capital	3 881	4 299	– 10
Reported equity including non-controlling interests	8 312	8 513	– 2
Total liabilities and equity	**181 904**	**180 998**	**1**

Total assets were virtually unchanged compared to 31 December 2015.



Loans and advances to banks increased by € 1.079 billion compared to the previous year to € 22.273 billion. This change is due in particular to the € 1.177 billion increase in short-term receivables from money market transactions. Other receivables reduced due to the reduction in municipal loans.

Loans and advances to customers are still the largest balance sheet item at 58 per cent (60 per cent). Compared to the previous year, this item has reduced by € 1.591 billion, which is mainly due to the reduction in ship and aircraft mortgage loans to foreign customers. Besides exchange rate effects, the reduction in new business, in particular in the area of aircraft finance, together with unscheduled reductions due to market conditions and the strategic reduction resulted in a lower balance of receivables in these segments.

Risk provisioning has increased compared to the reference date by € 244 million to € 3.163 billion, which is due to the increase in specific valuation allowances in the area of ship finance.

Financial assets at fair value through profit or loss comprise trading assets and financial assets designated at fair value and are, at € 15.930 billion, € 1.895 billion above the level of the reference date. The increase is due to valuation and volume effects, which are also reflected on the liabilities side.

Due to the reduction in AfS financial assets as a result of the reduction in the total risk exposure, the balance of **financial assets** compared to the reference date has reduced by € 450 million and now totals € 34.065 billion.

Other assets include assets held for sale in the amount of € 67 million (€ 58 million).

Liabilities to banks have reduced by € 969 million to € 47.841 billion compared to the reference date. The reduction is due mainly to the reduction in liabilities from money market transactions.

Liabilities to customers have reduced by € 2.419 billion compared to the reference date to € 58.178 billion. The reduction is due mainly to the reduction in liabilities from money market transactions and savings deposits.

The € 1.720 billion increase in **securitised liabilities** to € 37.597 billion is due to the volume of new issues.

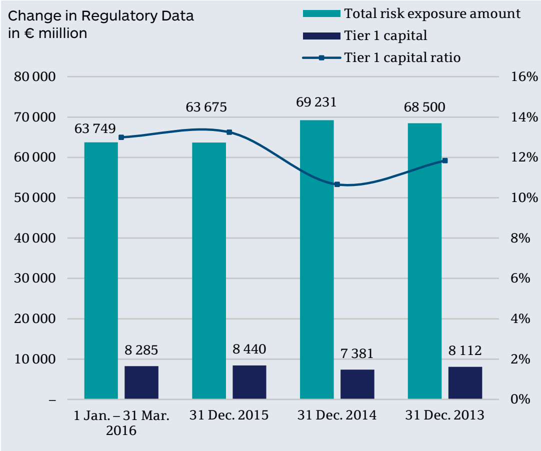
Liabilities at fair value through profit or loss comprise trading liabilities and financial liabilities designated at fair value. Compared to the previous year there is an increase of € 1.822 billion, mirroring valuation and volume effects on the assets side.

The € 259 million increase in **provisions** to € 2.687 billion is due to the reduction in the net liability from defined benefit pension plans due to interest rates.

Other liabilities include liabilities held for sale in the amount of € 12 million (€ 7 million).

Subordinated capital reduced due to the disposal of bearer instruments and exchange rate effects in capital funded in USD by € 418 million to € 3.881 billion.

The € 201 million reduction in **reported equity** to € 8.312 billion is due primarily to the consolidated profit and the revaluation of net liabilities from defined benefit pension plans.



Overall Assessment

The Bank's business has continued to develop successfully in recent months. However, the first quarter of the financial year saw higher-than-planned risk provisioning. As a result the first quarter closed with earnings before taxes of € -98 million.

Supplementary Report

In April 2016 the Austrian Financial Market Authority order with immediate effect the liquidation of HETA Asset Resolution AG (HETA). By way of a haircut, the nominal value of HETA's outstanding liabilities were reduced to 46.02 per cent of the original nominal value and the interest rate was lowered to 0 per cent. The payment date for liabilities was extended to 31.12.2023. The Austrian state of Carinthia is the guarantor for all of the HETA bonds held in the NORD/LB Group. Against the background of the haircut, NORD/LB will claim all of the receivables ordered to be waived, cumulative and future interest and any other additional costs from Carinthia.

Forecast, Opportunities and Risk Report

General Economic Development

Global Economic Outlook

The US economy will, following a poor winter half-year, experience growth of around two per cent in the current year. Against this background, a continuation of the positive trend in the US job market is expected. The growth model for the Chinese economy continues to be in a period of modification, as a result it is expected that economic growth will slow down slightly. The eurozone will continue its economic recovery in the coming quarters, although inflation will again remain extremely low in 2016.

Economic Forecast for Germany and the Eurozone

After a downturn in the business climate and economic expectations in Germany and the eurozone, there are signs that this trend will now reverse. However, financial market experts and business leaders currently remain cautious as the risks remain high. Such risks include concerns about the state of the Chinese economy, the geopolitical conflicts and the upcoming referendum in UK concerning a possible exit ("Brexit") from the European Union (EU). The most important sentiment indicators are, however, still in the growth zone and the conditions for a continuation of the recovery in Germany and the eurozone are good despite the only moderate global demand. The very high growth rate in the first quarter due to special effects will normalise through a weaker second quarter. However, the basic upward trend will continue, due in particular to strong domestic demand. NORD/LB is forecasting high GDP growth of 1.6 per cent for the current year for Germany, therefore at a similar level to the previous year. The economic outlook is also good for the eurozone. For 2016 NORD/LB is expecting GDP growth of a good 1.5 per cent compared to the previous year. Private consumption remains the most important pillar of the economy, with investment also increasing. Monetary policy will remain very expansive, and the fiscal policy will no longer have such a restrictive effect throughout the eurozone. However, considerable risks remain, e.g. a potential economic slowdown in China, the geopolitical conflicts, the threat of global terrorism and the political conflicts in the EU, not least of all due to the refugee problem. In addition, the Brexit discussion, separatist objectives he strengthening of populist right-wing parties are potential risk factors for the cohesion or at least the EUs political ability to act. Future development in Greece also remains a factor of uncertainty.

Financial Market Development and Interest-rate Forecast

Following its raising of interest rates in December 2015, the Federal Reserve will stick to a cautious and gradual normalisation of interest-rate policy. Currently it is quite likely that there will only be two more interest-rate increases in the USA this year.

In the eurozone, following the measures last December and in March, there is likely to be a period without any major change in monetary policy. Although members of the ECB Governing Council are still discussing whether the deposit facility interest rate should be lowered even further, we expect that the ECB Governing Council will for the time being wait and see the effect of the measures decided, some of which are still to be implemented.

Against this background the yields of European government bonds fell to a very low level, particularly in the shorter and medium-term categories. The money market rates should have returned, at least with the shorter terms, to a level which, without any further changes in the key ECB interest rates, will last for a long period of time. Higher capital market rates are not expected until inflation normalises, therefore at the earliest at the end of the second half-year. NORD/LB is expecting, with a normalisation of inflation expectations, a slight increase in yields to 0.5 per cent for German government bonds with a ten-year term by the end of 2016.

The differences in monetary policy on either side of the Atlantic suggest that there will again be a stronger US dollar in the short term. However, NORD/LB is expecting a countermovement in the medium term, due in particular to the stabilisation of the upturn in the eurozone. Over the course of twelve months, a return to USD 1.12 per EUR is expected. Volatility will remain high this year. In the short to medium term, following the raising of interest rates in the US, there may again be a slight widening of EUR/USD basis swap spreads. Our econometric forecast models indicate that the EUR/USD cross currency basis swap spreads across the entire term segment should stabilise between -40 and -50 basis points in the remainder of the year.

Banking Market Development

The continuing, albeit reducing credit risks in most countries in the European banking market will require further financial adjustments and possibly capital measures in order to achieve a sustainably stronger banking market.

The regulatory requirements will continue to increase. These will include in particular the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), the requirements for holding liabilities that are available to be bailed in and other related capital ratios (including Minimum Requirement for own funds and Eligible Liabilities (MREL) and for banks important for the global system Total Loss Absorbing Capacity (TLAC)).

Higher capital adequacy requirements may result from the new supervisory review and evaluation process (SREP). Although the European banks have already made a major contribution to the stabilisation of the banking system, its sustainability will be reviewed once again in upcoming stress tests.

Shipping

The outlook for global economic development remains poor. The IMF has lowered its forecasts for global economic growth again. The growth of 3.4 per cent expected at the start of the year was recently lowered by 0.2 per cent.

In the short term little impetus is expected to come from the global economy. Due to the continuing overcapacity in particular in the container and bulker market, competitive pressure remains accordingly high. However, as oil prices are only moving sideways, there will for the time being be no additional cost pressure from fuel across all segments.

In the container sector the consolidation will continue. Currently new alliances of major shipping lines are forming. With the re-opening of the Panama Canal, at the end of the second quarter container ships with a cargo volume of up to 13,000 TEU will initially be able to pass through this important route. The crowding out of old tonnage due to cascade effects will continue. The restructuring of services is progressing. In the charter market attention will be focused in the next few months on the development of the peak season in the summer.

The dry bulk sector remains largely dependent on demand from China for ore and coal. Although there were reports at the start of the year of increase in steel production in China, which resulted in a slight upswing in demand at the start of Q2 2016, the global demand for steel will fall again in the current year. The World Steel Association is expecting it to fall by 0.8 per cent. This will also have an impact on steel and scrap prices. Despite a significant increase in scrapping, the supply of tonnage in the dry bulk sector will rise again in 2016 due to the delivery of ships ordered in recent years.

As OPEC is unable to agree on production-reducing measures for the time being, the global supply of oil will only change marginally. Only oil production in the USA will reduce slightly. Iran, though, is seeking to return to old production levels. There will therefore continue to be adequate demand in the tanker sectors. However, in the coming months deliveries of new ships will rise again, which will result in increasing volatility in rates.

Aircraft

The IATA is expecting for 2016 growth of 6.9 per cent for global passenger transport (RPK), which is well above the average growth for the last 20 years of 5.5 per cent. The IATA is forecasting the demand for airfreight volume (FTK) to increase by 3.0 per cent despite the slowdown in the global economy. As in previous years, significant geographical differences are forecasted. The biggest growth in transport is predicted for the Middle East, Asia/Pacific and Europe.

The IATA is expecting the net profit for global airlines to increase to USD 36.3 billion in 2016. This equates to a net margin of approx. 5.1 per cent (2015: 4.6 per cent).

Real Estate

Real estate markets will continue to stabilise worldwide due to the low level of interest rates. However, the positive developments in the markets appear to be fading for the moment. For the current year a fall in turnover volume of 5 per cent compared to the previous year is expected.

JLL (Jones Lang LaSalle) is forecasting a much bleaker real estate climate (fall in turnover of 10 per cent). However, the high level of liquidity in the capital markets and the shortage of investment alternatives will keep the turnover volume for real estate at a relatively high level. We expect that this will continue in 2016 with the ECB's continuing glut of money.

Future developments in the British real estate market, the biggest in Europe, are largely dependent on a potential "Brexit". If UK exits the EU, we expect a sharp fall in prices in the London office market.

The German real estate market will meanwhile remain very stable, even if there are inflated prices in some regions. The risk of a bubble is again considered to be low as lenders have thus far not lowered their lending standards. The trend is moving though towards investment in non-core properties.

Extended Risk Report

Risk-Bearing Capacity

The utilisation rate for risk capital in the going-concern scenario is 41 per cent as at 31 March 2016 and therefore well above the utilisation rate as at 31 December 2015. The reason for this is significant reduction in risk capital with at the same time a moderate increase in risk potential.

Regarding the external requirements, the risk-bearing capacity is given up to a utilisation rate of 100 per cent. In line with the NORD/LB Group's internal requirements, in the context of the risk-bearing capacity model a capital buffer of 20 per cent is consciously kept. Risk is therefore controlled taking into account the internal maximum utilisation rate of 80 per cent for the going concern. As at the current reporting date utilisation is well below the internal maximum.

In addition to the going-concern approach, in the internal calculation of risk-bearing capacity the gone-concern and regulatory scenarios are also considered. The utilisation of risk capital in the going-concern scenario can be found in the table below.

Risk-bearing capacity[1)] (in € million)	31 Mar. 2016		31 Dec. 2015	
Risk capital	**3 448**	**100%**	**4 723**	**100%**
Credit risk	894	26%	918	**19%**
Investment risk	118	3%	112	**2%**
Market-price risk	343	10%	262	**6%**
Liquidity risk	139	4%	157	**3%**
Operational risk	96	3%	95	**2%**
Other	– 184	-5%	– 194	**-4%**
Total risk potential	**1 406**	**–**	**1 349**	**–**
Risk capital utilisation	**–**	**41%**	**–**	**29%**

1) Differences in totals are rounding differences.

The requirements of the Group risk strategy concerning the utilisation of risk capital at the level of the material risk types are also met as at 31 March 2016. Of the material risk types (credit, investment, market-price, liquidity and operational risks), credit risks again account for the largest share of the total risk potential.

Credit Risk

The maximum default risk amount for on-balance-sheet and off-balance-sheet financial instruments fell in the first three months of 2016. This is due in particular to loans and advances to customers and liabilities relating to sureties and guarantees and irrevocable credit commitments.

Risk-bearing financial instruments (in € million)	Maximum default risk 31 Mar. 2016	Maximum default risk 31 Dec. 2015
Loans and advances to banks	22 267	21 193
Loans and advances to customers	103 131	104 960
Adjustment item for financial instruments hedged in the fair value hedge portfolio	253	91
Financial assets at fair value through profit or loss	15 930	14 035
Positive fair values from hedge accounting derivatives	3 022	2 507
Financial assets	34 065	34 515
Sub-total	**178 668**	**177 301**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	10 456	13 735
Total	**189 124**	**191 036**

The total exposure used for internal control remains € 194 billion.

The quality of the NORD/LB Group's credit portfolio remained unchanged in the first few months of 2016. The share of non-performing loans as at the reporting date is 4.8 per cent (4.7 per cent).

The Rating Structure table shows the breakdown of the total exposure in the NORD/LB Group by rating class and product type. The share of items in the rating category "Very good to good" remains at a high level at 76 per cent (76 per cent) as at 31 March 2016. This is explained in particular by the significance of business conducted with financing institutions and public authorities and is at the same time a reflection of the risk policy of the NORD/LB Group.

Rating structure[1)2)] (in € million)	Loans 31 Mar. 2016	Securities[3)] 31 Mar. 2016	Derivates[4)] 31 Mar. 2016	Other[5)] 31 Mar. 2016	Total exposure 31 Mar. 2016	Total exposure 31 Dec. 2015
very good to good	92 352	31 743	8 828	14 251	147 174	146 321
good / satisfactory	11 314	1 240	262	1 293	14 109	13 902
reasonable / satisfactory	7 472	389	162	906	8 927	9 864
increased risk	6 605	460	153	372	7 589	7 654
high risk	2 573	3	40	170	2 787	3 173
very high risk	3 555	11	43	88	3 697	3 713
default (= NPL)	8 964	202	42	61	9 269	9 089
Total	**132 835**	**34 047**	**9 531**	**17 139**	**193 552**	**193 718**

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

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

Industries[1)2)] (in € million)	Loans 31 Mar. 2016	Securities[3)] 31 Mar. 2016	Derivatives[4)] 31 Mar. 2016	Other[5)] 31 Mar. 2016	Total exposure 31 Mar. 2016	Total exposure 31 Dec. 2015
Financing institutes / insurance companies	30 359	16 236	4 136	7 927	58 658	56 778
Service industries / other	56 856	15 769	2 520	1 864	77 008	78 144
– Of which: Land, housing	18 793	8	611	410	19 822	19 583
– Of which: Public administration	21 763	15 520	1 334	165	38 782	40 316
Transport / communications	23 734	577	647	246	25 204	26 509
– Of which: Shipping	17 796	–	124	81	18 000	18 918
– Of which: Aviation	3 002	–	24	–	3 027	3 422
Manufacturing industry	5 707	587	681	258	7 233	6 904
Energy, water and mining	9 963	773	1 114	5 312	17 161	16 790
Trade, maintenance and repairs	3 821	73	302	213	4 409	4 619
Agriculture, forestry and fishing	766	–	6	1 243	2 015	2 015
Construction	1 630	33	124	77	1 865	1 958
Total	**132 835**	**34 047**	**9 531**	**17 139**	**193 552**	**193 718**

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

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

Regions[1)2)] (in € million)	Loans 31 Mar. 2016	Securities[3)] 31 Mar. 2016	Derivatives[4)] 31 Mar. 2016	Other[5)] 31 Mar. 2016	Total exposure 31 Mar. 2016	Total exposure 31 Dec. 2015
Euro countries	107 223	26 802	5 631	17 037	156 693	157 146
– Of which: Germany	90 486	17 506	3 585	16 331	127 908	128 327
Other Europe	10 863	2 670	2 441	44	16 019	15 121
North America	6 503	2 878	946	38	10 365	10 446
Middle and South America	2 514	667	47	–	3 229	3 557
Middle East / Africa	1 144	–	10	16	1 171	1 250
Asia / Australia	4 587	1 030	454	5	6 076	6 198
Total	**132 835**	**34 047**	**9 531**	**17 139**	**193 552**	**193 718**

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

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

Exposures in selected European countries[1)2)] (in € million)	Greece 31 Mar. 2016	Ireland 31 Mar. 2016	Italy 31 Mar. 2016	Portugal 31 Mar. 2016	Spain 31 Mar. 2016	Total 31 Mar. 2016
Sovereign Exposure	–	226	1 061	244	171	1 701
– Of which: CDS	–	207	–	197	–	405
Financing institutes / insurance companies	–	401	189	15	1 172	1 776
Corporates / Other	20	2 541	388	99	312	3 360
Total	**20**	**3 168**	**1 637**	**357**	**1 655**	**6 837**

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

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

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

The NORD/LB Group has an exposure of € 1.1 billion in Cyprus in the Corporates category. This primarily concerns a ship exposure whose economic risk lies outside of Cyprus. The NORD/LB Group does not have any sovereign exposure or exposure to financing institutes and insurance companies in Cyprus.

In Hungary, the NORD/LB Group has an exposure of € 146 million (€ 115 million sovereign exposure, € 31 million corporates / others), and in Russia it has an exposure of € 232 million (€ 151 million financing institutions and insurance companies, € 82 million corporates / others). The exposure in Egypt, Argentina and Ukraine is of minor significance.

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

Exposures in selected European countries by maturity [1)2)] (in € million)	Greece 31 Mar. 2016	Ireland 31 Mar. 2016	Italy 31 Mar. 2016	Portugal 31 Mar. 2016	Spain 31 Mar. 2016	**Total** 31 Mar. 2016
up to 1 year	–	–	50	–	8	**58**
more than 1 up to 5 years	–	226	355	244	132	**957**
more than 5 years	–	–	656	–	31	**687**
Total	**–**	**226**	**1 061**	**244**	**171**	**1 701**

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

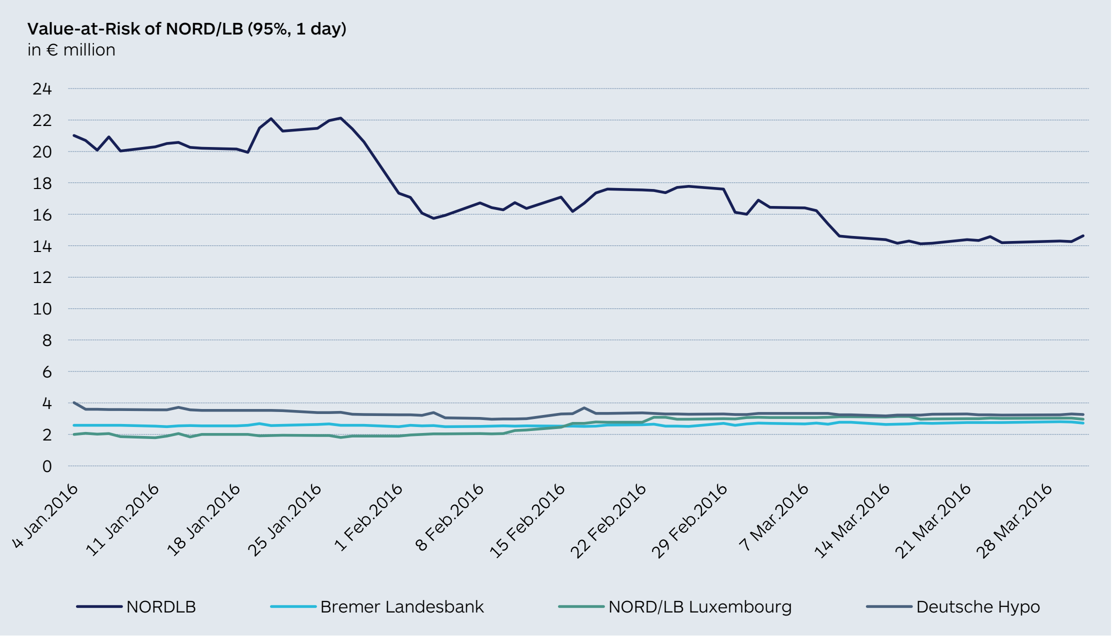
Exposures in selected European countries by maturity[1)2)] (in € million)	Greece 31 Dec. 2015	Ireland 31 Dec. 2015	Italy 31 Dec. 2015	Portugal 31 Dec. 2015	Spain 31 Dec. 2015	**Total 31 Dec. 2015**
up to 1 year	–	–	11	–	16	**26**
more than 1 up to 5 years	–	231	366	244	130	**971**
more than 5 years	–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

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

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

Market-price Risk

As at 31 March 2016 the Value-at-Risk (VaR) for the NORD/LB Group had risen to € 17 million (€ 15 million). The final figures are reported taking into account correlation effects. The historical simulation method was used throughout the Group. The VaR calculated on the basis of regulatory parameters (confidence level of 99 per cent and holding period of ten days) totalled in the NORD/LB Group as at 31 March 2016 € 77 million (€ 83 million).
The market-price risks are calculated at the level of the significant Group companies from a risk point of view taking into account in each case the local accounting regulations, i.e. for the Group companies reporting in accordance with the German Commercial Code (Handelsgesetzbuch, HGB), the credit-spread risks of the trading portfolio and the liquidity reserve are included in the going-concern scenario. In the gone-concern scenario credit-spread risks are still included regardless of the accounting method.



Between early January and late March, the daily total Value-at-Risk (VaR) calculated for the significant Group companies from a risk point of view (confidence level of 95 per cent, holding period of one day) fluctuated between € 23 million and € 30 million, with an average Value-at-Risk of € 26 million. The portfolios of NORD/LB have the highest risks. Among the risk types, interest-rate risks including credit-spread risks dominate. The consideration of positions in the credit-spread risk is dependent on the respective accounting standard.

Primarily due to position changes in general interest-rate risk, the risks of the individual institutes reduced in the period under review. Due to correlation effects with the credit-spread risk, this effect is not monitored at the level of the NORD/LB Group.

Market-price risks[1]	Maximum		Average		Minimum		End-of-year risk	
	1 Jan. – 31 Mar. 2016	1 Jan. - 31 Dec. 2015	1 Jan. – 31 Mar. 2016	1 Jan. - 31 Dec. 2015	1 Jan. – 31 Mar. 2016	1 Jan. - 31 Dec. 2015	1 Jan. – 31 Mar. 2016	1 Jan. - 31 Dec. 2015
Interest-rate risk (VaR 95 %, 1 day)	32 928	35 395	27 344	30 295	24 287	24 022	16 191	15 335
Currency risk (VaR 95 %, 1 day)	1 427	2 552	1 099	1 870	914	839	882	558
Share-price and fund-price risk (VaR 95 %, 1 day)	2 834	3 148	2 145	2 425	1 429	1 346	2 190	2 076
Volatility risk (VaR 95 %, 1 day)	2 474	2 297	2 099	1 486	1 666	385	1 618	1 618
Other add-ons	132	142	100	60	77	–	77	108
Total	30 093	33 435	25 976	29 265	23 039	24 436	17 483	15 445

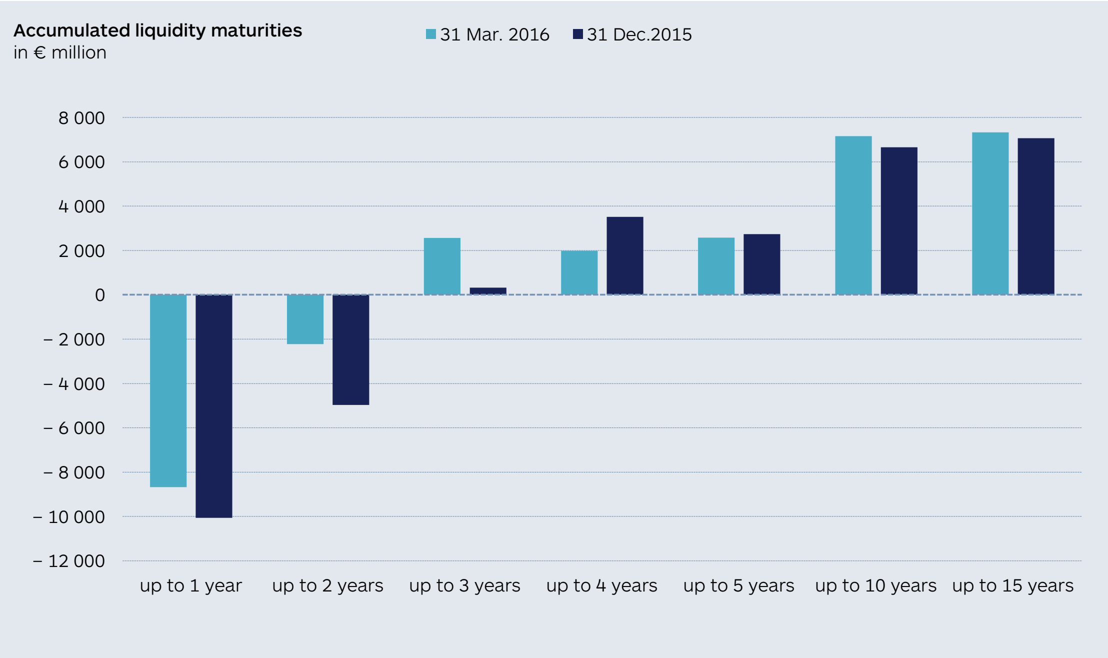
3) Maximum, average and minimum are calculated based on the VaR totals of the significant subsidiaries from a risk point of view taking into account the applicable accounting standard for the respective individual institute; the final figures are calculated on a consolidated basis for the NORD/LB Group in accordance with IFRS.

In the period under review there was an improvement in the number of backtesting exceptions in NORD/LB. The remaining exceptions result primarily from fundamental risks, i.e. differences in the scope of movements in the various swap curves within the same currency leading to higher daily fluctuations in the present value in the Treasury Division. Until the planned inclusion of these risks in the VaR model, a reserve item will be considered in the RBC model.

Liquidity Risk

The liquidity situation in the markets eased further in the period under review due to the ongoing measures taken by the European Central Bank. However, the current global trouble spots, in particular in Ukraine and in the Middle East, and the high national debts of some EU countries, continue to present risks. As at 31 March 2016 the cumulative liquidity maturity balance sheet shows compared to the end of the previous year much smaller liquidity gaps in the maturity range up to two years , a reduced liquidity surplus and in the maturity range up to three years and an increased liquidity surplus in the maturity range up to four years. In all other maturity ranges there was hardly any change. All of the liquidity gaps are within the liquidity risk limits derived from the risk-bearing capacity model. The NORD/LB Group had sufficient liquidity at all times during 2016. The liquidity risk limits were complied with at all times at NORD/LB Group level in the first quarter of 2016; this applies for all currencies together and the principal individual currencies.

The NORD/LB Group also operates in markets with the highest possible level of liquidity and maintains a portfolio of high-quality securities. As at the reporting date, significant companies from a risk point of view hold securities in the amount of € 41 billion (€ 41 billion), 82 per cent (81 per cent) of which are suitable for repo transactions with the European Central Bank or the US Federal Reserve.



In the period under review, the liquidity ratio in accordance with the German Liquidity Regulation (LiqV) was always well over the minimum of 1.00 required by regulatory provisions. The dynamic stress tests used for internal control showed a good liquidity situation for the NORD/LB Group as at the reporting date. The liquidity buffers for one week and one month in accordance with the Minimum Requirements for Risk Management (MaRisk) are also complied with. The Liquidity Coverage Ratio (LCR) as at 31 March 2016 was 105.13 per cent (100.7 per cent).

Liquidity ratio in accordance with the LiqV[1]	31 Mar. 2016	31 Mar. 2015
NORD/LB	2,01	1,77
Bremer Landesbank	2,43	1,95
Deutsche Hypo	1,61	1,50

[1] NORD/LB Luxembourg does not have to report these figures on account of legal requirements.

Operational Risk

The setup of an integrated OpRisk management was continued in the period under review. There are no significant legal risks as at the reporting date that would put the existence of the Bank at risk.

Overall Assessment

The NORD/LB Group has had a difficult start to 2016. The first quarter was characterised by higher-than-planned risk provisioning, in particular for Ship Finance as well as in the Corporate Customers segment. The situation in the shipping markets has deteriorated noticeably since the fourth quarter of 2015 and there are no signs of a sustained recovery in the foreseeable future. Due to the market situation, it is forecasted that risk provisioning due to the crisis in the shipping sector will remain high. In view of the difficult market situation, this reduction will be able to be made without losses. Due to these developments NORD/LB expects that the Bank will close the financial year 2016 with a negative result. The ratios will develop accordingly.

The continued stable income based on the proven customer-oriented business model with very diversified sources of income is slightly above the previous year's level in the forecast and is therefore likely to be well above target. This development is due in particular to the central valuation effects which are better than forecasted in the plan due to the market development with currency derivatives and financial assets.

The NORD/LB Group is forecasting that risk provisioning/valuation will be much worse than in the plan for 2015. Risk provisioning will once again be primarily influenced by the ship portfolio.

Administrative expenses are in line with the budget.

The total risk exposure is, based on current estimates in the current forecast, moderately below the level planned. The planning of NORD/LB's risk-weighted assets and regulatory capital for 2016 considers all requirements derived from EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR) including relevant requirements for regulatory capital adequacy derived from transitional arrangements. In the NORD/LB Group's plan, these legal regulations including the capital buffer to be held and other existing regulatory requirements concerning the required level of regulatory capital are met in full and continually.

Opportunities will result due to the Bank's robust business model from improving the good market position with a stable customer base and a broad diversification of risk. On this basis, in the current environment of low interest rates there are promising opportunities, by offering alternative capital market products, to increase the income of the Bank with increased balance sheet turnover and cross-selling activities and to further diversify and optimise the credit portfolio. Opportunities will also arise for NORD/LB due to the reduction in external credit spreads. General opportunities and risks lie in the regulatory requirements such as the stress test, further capital requirements, the development of the national debt crisis and the development of the USD/EUR exchange rate. Opportunities and risks also lie in the write-up or write-down of investments, in the implementation of IT projects concerning the whole bank, the regulatory environment, administrative expenses and internal processes.

Risks for the earnings position will arise again in 2016 from the continuing period of low interest rates, the possibility of unlimited availability of long-term uncovered funding not being permanent, unforeseeable market disruptions due to political or economic developments, terrorist attacks and geopolitical tensions, particularly in Ukraine and in the Middle East.

The earnings development in the Ship Finance segment continues to be affected by the crisis in the shipping sector. The unplanned insolvency of shipping lines and companies and a fall in charter rates may result in an increase in risk provisioning compared to the current forecast.

Interim Consolidated Financial Statements as at 31 March 2016

Income Statement

		1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Interest income		1 911	2 169	– 12
Interest expenses		1 454	1 668	– 13
Interest expenses	**5**	**457**	**501**	**– 9**
Loan loss provisions	6	435	104	> 100
Commission income		85	79	8
Commission expenses		31	24	29
Net commission income	**7**	**54**	**55**	**– 2**
Trading profit / loss		391	385	2
Profit / loss from the fair value option		– 133	– 302	– 56
Profit / loss from financial instruments at fair value through profit or loss	**8**	**258**	**83**	**> 100**
Profit / loss from hedge accounting	9	8	59	– 86
Profit / loss from financial assets	10	7	2	> 100
Profit / loss from investments accounted for using the equity method		– 7	–	–
Administrative expenses	11	297	284	5
Other operating profit / loss	12	– 136	– 77	77
Earnings before reorganisation and taxes		**– 91**	**235**	**> 100**
Reorganisation expenses	13	– 7	– 6	17
Earnings before taxes		**– 98**	**229**	**> 100**
Income taxes	14	– 14	73	> 100
Consolidated profit		**– 84**	**156**	**> 100**
of which: attributable to the owners of NORD/LB		– 66	159	
of which: attributable to non-controlling interests		– 18	– 3	

Statement of Comprehensive Income

The comprehensive income of the NORD/LB Group comprises the income and expense recognised in the income statement and in other comprehensive income.

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Consolidated profit	**– 84**	**156**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	– 177	– 352	– 50
Investments accounted for using the equity method – Share of other operating profit / loss	– 5	– 10	– 50
Deferred taxes	57	112	– 49
	– 125	**– 250**	**– 50**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions			
Increase / decrease from available for sale (AfS) financial instruments			
Unrealised profit / losses	4	144	– 97
Transfer due to realisation profit / loss	5	18	– 72
Translation differences of foreign business units			
Unrealised profit / losses	– 14	39	> 100
Investments accounted for using the equity method – Share of other operating profit / loss	16	14	14
Deferred taxes	4	– 50	> 100
	15	**165**	**– 91**
Other profit / loss	**– 110**	**– 85**	**29**
Comprehensive income for the period under review	**– 194**	**71**	**> 100**
of which: attributable to the owners of NORD/LB	– 172	94	
of which: attributable to non-controlling interests	– 22	– 23	

Balance Sheet

	Notes	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Cash reserve		340	872	– 61
Loans and advances to banks	15	22 273	21 194	5
Loans and advances to customers	16	106 287	107 878	– 1
Risk provisioning	17	– 3 163	– 2 919	8
Balancing items for financial instruments hedged in the fair value hedge portfolio		253	91	>100
Financial assets at fair value through profit or loss	18	15 930	14 035	14
Positive fair values from hedge accounting derivatives		3 022	2 507	21
Financial assets	19	34 065	34 515	– 1
Investments accounted for using the equity method		294	290	1
Property and equipment	20	557	573	– 3
Investment property		77	77	–
Intangible assets	21	150	149	1
Assets held for sale	22	67	58	16
Current income tax assets		43	37	16
Deferred income taxes		766	663	16
Other assets		943	978	– 4
Total assets		**181 904**	**180 998**	**1**

	Notes	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Liabilities to banks	23	47 841	48 810	– 2
Liabilities to customers	24	58 178	60 597	– 4
Securitised liabilities	25	37 597	35 877	5
Balancing items for financial instruments		1 142	753	52
Financial liabilities at fair value through profit or loss	26	17 879	16 057	11
Negative fair values from hedge accounting derivatives		3 607	3 148	15
Provisions	27	2 687	2 428	11
Liabilities held for sale	28	12	7	71
Current income tax liabilities		117	116	1
Deferred income taxes		106	87	22
Other liabilities		545	306	78
Subordinated capital	29	3 881	4 299	– 10
Equity				
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		2 325	2 493	– 7
Revaluation reserve		452	454	–
Currency translation reserve		– 10	– 9	11
Equity capital attributable to the owners of NORD/LB		**7 706**	**7 877**	**– 2**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		556	586	– 5
		8 312	**8 513**	**– 2**
Total liabilities and equity		**181 904**	**180 998**	**1**

Condensed Statement of Changes in Equity

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2016	**1 607**	**3 332**	**2 493**	**454**	**– 9**	**7 877**	**50**	**586**	**8 513**
Comprehensive income for the period under preview	–	–	– 169	– 2	– 1	– 172	–	– 22	– 194
Consolidation effects and other changes in capital	–	–	1	–	–	1	–	– 8	– 7
Equity as at 31 Mar. 2016	**1 607**	**3 332**	**2 325**	**452**	**– 10**	**7 706**	**50**	**556**	**8 312**

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan. 2015	**1 607**	**3 332**	**1 957**	**420**	**– 10**	**7 306**	**–**	**596**	**7 902**
Comprehensive income for the period under preview	–	–	– 55	148	1	94	–	– 23	71
Transactions with the owners	–	–	–	–	–	–	–	– 1	– 1
Equity as at 31 Mar. 2015	**1 607**	**3 332**	**1 902**	**568**	**– 9**	**7 400**	**–**	**572**	**7 972**

The € 50 million reported under the item additional equity components relates to a tranche of Additional Tier 1 bonds newly issued in the NORD/LB Group (AT 1 bonds). These AT1 bonds issued on the 29 June 2015 establish non-collateralised, subordinated liabilities and do not have a maturity date.

Condensed Cash Flow Statement

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**872**	**1 064**	**– 18**
Cash flow from operating activities	– 579	17	> 100
Cash flow from investing activities	– 1	– 515	– 97
Cash flow from financing activities	49	– 38	> 100
Total cash flow	**– 531**	**– 536**	**– 1**
Effects of changes in exchange rates	– 1	9	> 100
Cash and cash equivalents as at 31 Mar.	**340**	**537**	**– 37**

The cash flow from financing activities shows the net payments received and made relating to subordinate promissory notes and bonds.

We refer to information contained in the risk report concerning the management of liquidity risk in the NORD/LB Group.

Selected Notes

General Disclosures

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

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

NORD/LB as a group in terms of commercial law is referred to in the following as the NORD/LB Group. The interim consolidated financial statements as at 31 March 2016 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash-flow statement and selected notes. The segment reporting is shown in the notes. The reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is provided mainly in a risk report within the Group Management Report.

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

These interim consolidated financial statements were signed by the Managing Board on 17 August 2016 and approved for publication.

(2) Accounting Policies

The accounting policies for the interim financial statements are based on those of the consolidated financial statements as at 31 December 2014 unless specified otherwise. Further comments are included in Note (30).

In the period under review consideration has been given to the following standards and amendments to the standards which were first applied as at 1 January 2016 for the NORD/LB Group:

Amendments to IFRS 11 – Accounting of the acquisition of an interest in a joint operation

In the amendments to IFRS 11 published in May 2014, it is explained how the acquisition of an interest in a joint operation that is a business in the sense of IFRS 3 is to be accounted for. Within the scope of the acquired interest, all of the principles defined in IFRS 3 or in other standards for the accounting of business combinations are to be applied and the relevant disclosure requirements are to be considered.

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

Amendments to IAS 1 – Presentation of the Financial Statements

The amended standard published on 18 December 2014 implemented the initial proposals within the initiative of the IASB to improve disclosures. The amendments emphasise the concept of materiality to facilitate the communication of relevant information in IFRS financial statements. This will be achieved by information which is not material not needing to be presented, the possibility of supplementary subtotals and greater flexibility in the structure of the notes. Further, the breakdown of other comprehensive income (OCI) will be clarified in the statement of comprehensive income.

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

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

On 12 May 2014 the IASB published amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets concerning acceptable methods that enable the appropriate presentation of the use of the future economic benefit. It was clarified that for property, plant and equipment depreciation on the basis of revenue of the goods generated by it is not appropriate and is only allowed for intangible assets with a limited useful life in explicitly specified exceptional cases.
As depreciation methods are not used in the NORD/LB Group, the amendments to IAS 16 and IAS 38 do not have any effect.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions
The amendment of IAS 19 – Employee Contributions (published in November 2013) clarifies the stipulations associated with the allocation of employee contributions of third-party contributions to the service periods if the contributions are linked to length of service. Additionally, waivers are available if the contributions are independent of the number of years of service.

The amendments to IAS 19 do not result in any need for adjustments to NORD/LB's consolidated financial statements.

Improvements to IFRS (2010 – 2012 Cycle) Within the Scope of the IASB's Annual Improvements Process
Within the scope of the Annual Improvements Process, changes are made to the wording in individual IFRSs to clarify or improve existing regulations. With the 2010 – 2012 cycle amendments were made to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38, while in the 2012 – 2014 cycle amendments were made to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34.
The annual improvements to IFRS do not have any effect on NORD/LB's consolidated interim financial statements.
The NORD/LB Group has not applied early standards, interpretations or amendments that have been published but whose application is not yet mandatory.

(3) Basis of Consolidation
In addition to NORD/LB as the parent company, the interim consolidated financial statements include 42 (31 December 2015: 42) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB is in a position to exercise a controlling influence in another manner. In addition, 2 (31 December 2015: 2) joint ventures and 11 (31 December 2015: 11) affiliated companies are accounted for using the equity method. Additionally, 2 (2) joint ventures and 12 (12) affiliated companies are recorded. One affiliated company is held for sale and, in accordance with IFRS 5.15, measured at the lower of the carrying amount and fair value less costs of disposal. The joint ventures and affiliated companies are accounted for using the equity method.
Compared to 31 December 2015, the basis of consolidation has changed as follows:

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

Segment Reporting

The segment reporting provides information on the operational business areas of the Group. The segment reporting below is based on IFRS 8 "Operating segments", which follows the "management approach". The segment information is presented in the IFRSs on the basis of internal reporting in the same way that it is reported internally on a regular basis for assessing performance and making decisions on the allocation of resources to the segments.

Segment Reporting by Business Segment

The segments are defined as customer or product groups which reflect the organisational structures and therefore the internal control of the Group. Calculations are based on the internal data of Group member companies. The internal control focuses on the operational units' earnings before tax.

An important criterion for the formation of segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and the products demanded. It is not possible to recognise dependencies on individual customers. The product ranges offered in the segments are described below and the earnings generated are shown in the overview. The product range offered comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, services such as accounting management, payment transactions, securities business, brokering, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated on the basis of the market-interest-rate method. In the process the contribution from the interest-rate conditions for each customer transaction is calculated by comparing the customer conditions with the structure-congruent market interest rate for a fictitious counter transaction applicable at the time the transaction is completed. This market interest rate is at the same time the cost value for the Treasury Division's balancing provision. Therefore interest income and interest expenses are not reported gross. The income from financing from tied-up equity is allocated to the market segments.

In the Bank every interest-bearing customer transaction is allocated to the balancing provision of the Treasury Division as the central planning division. There are no direct business relations between the market divisions in the Bank. Therefore inter-segment income is not included in the internal reporting.

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

Overall bank revenue such as profit/loss from hedge accounting and financial assets are not allocated to the operational business segments of the Bank but to the segment "Group Controlling/Others".

In addition to figures relating to the statement of comprehensive income, the segment report also shows the total risk exposure to be allocated, segment assets and liabilities, committed capital, the Cost-Income Ratio (CIR), Return on Risk-adjusted Capital (RoRaC) and Return on Equity (RoE). The total risk exposures of the segments show the risk-weighted assets to be allocated in accordance with CRR / CRD IV including shortfall equivalent as averages in the reporting period. The total risk exposure for the Group shows the RWA in accordance with CRR / CRD IV as at the reporting date. The CIR is defined as the ratio between administrative expenses and the sum total of the following income items: net interest income, net commission income, profit/loss from financial instruments at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

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

Capital tied up in the segments is calculated on the basis of average annual figures. The reconciliation figure for the tied-up capital reported in the business segments and the long-term equity in the Group in accordance with commercial law is included in the segment reconciliation. A transfer from long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

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

Private and Commercial Customers

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

Corporate Customers

The segment includes all of the NORD/LB business conducted with corporate customers in the core regions (excluding the Altes Braunschweiger Land region) and in neighbouring regions, and in particular Agricultural Banking and Residential Housing.

As a full-service provider, banking products and banking services are offered. The services include traditional transaction management, tailored business financing, management of interest and currency risk and solutions for company pension schemes. In the segment comprehensive solutions are developed for complex business financing and for the strategic positioning of corporate customers. Professional liquidity and risk management, the structuring of equity and innovative financing instruments supplement the product range.

Markets

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

Alternative products which are detached from retail banking including derivatives are offered, e.g. special kinds of debt securities which are not standardised in respect of their interest and repayment, but instead offer alternatives in respect of returns and the type or time of repayment (structured securities). In the secondary business all kinds of securities are sold and traded. Tailored solutions for institutional customers such as for example the structuring of special funds, pool funds solutions, portfolio management mandates and institutional public funds are also offered.

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

In the Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers segments traditional lending products and innovative products are generally offered irrespective of the respective industry. This primarily concerns financing for specific purposes.

Energy and Infrastructure Customers

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

Ship Customers

In this business segment the national and international activities of NORD/LB and Bremer Landesbank in ship finance are reported. The customers of the Ship Customers segment are offered short to long-term financing, such as equity pre-financing, interim finance, construction period finance (short and medium term) and financing to completion (long term). Ships are financed by the provision of loans or guarantees on a property-related and normally property-secured basis. Products such as for example swap, option, future or forward transactions complete the product range.

Aircraft Customers

In this business segment the national and international activities of NORD/LB and Bremer Landesbank in aircraft financing are reported. In aircraft finance, the focus is on the object-based financing of passenger aircraft produced by well-known manufacturers. The target customers are airlines and leasing companies who are offered tailored financing solutions in addition to the NORD/LB Group’s high expertise with core productions. The segment also finances covered export business.

Real Estate Banking Customers

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

Group Controlling/Others

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

Reconciliations

Here the reconciliation items from internal accounting for the consolidated figures in the income statement are shown as well as reclassifications of profit and loss items that are reported differently in the internal reporting to in the external reporting. The shortfall in the regulatory capital requirement is converted into risk-weighted assets within internal reporting and assigned to the operational units; the adjustment item resulting from the regulatory risk-weighted assets report flows into the reconciliation.

(4) Segment Reporting by Business Segment

31 Mar. 2016 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	47	86	45	47	109	27	55	52	– 11	457
Loan loss provisions	– 2	69	–	– 1	394	– 1	– 3	– 22	–	435
Net interest income after loan loss provisions	**49**	**17**	**45**	**48**	**– 284**	**28**	**57**	**74**	**– 12**	**22**
Net commission income	16	17	12	28	8	3	2	– 15	– 17	54
Profit / loss from financial instruments at fair value through profit or loss	–	– 2	19	– 6	2	–	1	232	13	258
Profit / loss from hedge accounting	–	–	–	–	–	–	–	8	–	8
Profit / loss from financial assets	–	–	–	–	–	–	–	8	–	7
Profit / loss from invest ments accounted for using the equity method	–	–	–	–	–	–	–	– 7	–	– 7
Administrative expenses	47	36	34	25	28	7	17	99	5	297
Other operating profit / loss	– 1	–	1	1	–	–	–	– 117	– 20	– 136
Profit / Loss before reorganisation and taxes	**16**	**– 3**	**43**	**46**	**– 303**	**24**	**43**	**84**	**– 41**	**– 91**
Reorganisation expenses	–	–	–	–	–	–	–	– 8	–	– 8
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	–	–	–
Earnings before taxes (EBT)	**16**	**– 3**	**43**	**46**	**– 303**	**24**	**43**	**76**	**– 41**	**– 98**
Taxes	–	–	–	–	–	–	–	–	– 14	– 14
Consolidated profit	**16**	**– 3**	**43**	**46**	**– 303**	**24**	**43**	**76**	**– 26**	**– 84**
Segment assets	7 352	23 345	38 160	16 144	19 670	7 569	15 203	54 828	– 366	181 904
of which: from invest-ments accounted for using the equity method	45	–	–	–	–	–	–	249	–	294
Segment liabilities	7 383	8 514	46 176	3 567	3 760	774	368	106 540	4 821	181 904
Total risk exposure amount	4 146	12 434	4 502	7 746	25 961	4 920	5 942	7 328	– 9 231	63 749
Capital employed[1]	386	1 158	399	710	2 629	452	539	952	970	8 195
CIR	76,2%	35,4%	44,2%	36,3%	23,5%	22,2%	28,9%	–	–	46,9%
RoRaC / RoE[2]	16,7%	-1,0%	37,2%	22,9%	-46,0%	21,2%	23,4%	–	–	-4,8%

31 Mar. 2015 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	53	83	48	48	111	29	62	57	9	501
Loan loss provisions	4	– 1	–	4	112	–	– 5	– 10	1	104
Net interest income after loan loss provisions	**50**	**84**	**48**	**44**	**–**	**29**	**66**	**68**	**8**	**397**
Net commission income	16	17	15	14	10	5	1	– 9	– 14	55
Profit / loss from financial instruments at fair value through profit or loss	– 1	4	36	–	–	–	– 4	42	5	83
Profit / loss from hedge accounting	–	–	–	–	–	–	–	59	–	59
Profit / loss from financial assets	–	–	–	–	–	–	–	– 10	13	2
Profit / loss from investments accounted for using the equity method	–	–	–	–	–	–	–	–	–	–
Administrative expenses	52	37	37	24	30	6	16	73	9	284
Other operating profit / loss	– 3	–	1	1	–	–	–	– 61	– 16	– 77
Profit / Loss before reorganisation and taxes	**11**	**68**	**64**	**35**	**– 20**	**28**	**47**	**16**	**– 14**	**235**
Reorganisation expenses	–	–	–	–	–	–	–	– 6	–	– 6
Expenses for public guarantees related to reorganisation	–	–	–	–	–	–	–	–	–	–
Earnings before taxes (EBT)	**11**	**68**	**64**	**35**	**– 20**	**28**	**47**	**10**	**– 14**	**229**
Taxes	–	–	–	–	–	–	–	–	73	73
Consolidated profit	**11**	**68**	**64**	**35**	**– 20**	**28**	**47**	**10**	**– 87**	**156**
Segment assets	7 343	22 407	38 472	16 772	21 273	8 260	15 193	51 716	– 439	180 998
of which: from investments accounted for using the equity method	45	–	–	–	–	–	–	245	–	290
Segment liabilities	7 457	9 003	48 100	3 599	4 585	763	469	103 588	3 434	180 998
Total risk exposure amount	4 439	12 691	5 113	8 060	43 650	5 239	7 991	9 898	– 25 172	71 908
Capital employed[1]	399	1 142	452	725	3 928	471	719	1 450	– 2 510	6 778
CIR	78,1%	35,4%	36,6%	37,9%	24,5%	18,0%	27,8%			45,7%
RoRaC / RoE[2]	10,3%	21,8%	56,4%	18,2%	-2,1%	23,8%	21,0%			13,5%

(in € million)	31 Mar. 2016	31 Mar. 2015
Sustainable relating to german local GAAP equity	8 195	6 778
Revaluation reserve	452	568
Consolidated profit	– 336	626
Financial equity	**8 312**	**7 972**

[1] Transfer of long-term equity under commercial law to reported equity capital
[2] RoRaC at business level:
(Earnings before taxes*4) / committed Tier 1 capital
(9 % of the higher value of the limit and the amount called on to cover the total risk exposure)
RoE at company level:
(Earnings before taxes*4) / long-term equity under commercial law (= reported equity capital – revaluation reserve – earnings after taxes*4)

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

Notes to the Income Statement

(5) Net Interest Income

The items interest income and interest expense comprise interest received and paid, deferred interest and pro-rata reversals of premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as liabilities under IAS 32, payments to silent partners are reported as interest expense.

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	846	945	– 10
Interest income from debt securities and other fixed-interest securities	139	185	– 25
Interest income from financial instruments at fair value			
Interest income from trading profit / loss and hedge accounting derivatives	758	851	– 11
Interest income from fair value option	9	14	– 36
Current income			
from shares and other non fixed-interest securities	–	1	– 100
from investments	4	6	– 33
Interest income from other amortisations	152	167	– 9
Other interest income and similar income	3	–	–
	1 911	**2 169**	**– 12**
Interest expense			
Interest expenses from lending and money market transactions	368	446	– 17
Interest expenses from securitised liabilities	125	163	– 23
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit / loss and hedge accounting derivatives	723	800	– 10
Interest expenses from fair value option	51	50	2
Interest expenses from subordinated capital	49	60	– 18
Interest expenses from other amortisations	122	136	– 10
Interest expenses from provisions and liabilities	14	14	–
Other interest expenses and similar expenses	2	– 1	> 100
	1 454	**1 668**	**– 13**
Total	**457**	**501**	**– 9**

(6) Loan Loss Provisions

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowance	131	282	– 54
Reversal of lumpsum specific loan loss provisions	1	1	–
Reversal of general loan loss provisions	61	43	42
Reversal of provisions for lending business	7	14	– 50
Additions to receivables written off	8	13	– 38
	208	**353**	**– 41**
Expenses for provisions for lending business			
Allocation to specific valuation allowance	524	342	53
Allocation to lumpsum specific loan loss provisions	1	1	–
Allocation to general loan loss provisions	109	93	17
Allocation to provisions for lending business	4	8	– 50
Direct write-offs of bad debts	5	12	– 58
Premium payments for credit insurance	–	1	– 100
	643	**457**	**41**
Total	**435**	**104**	**> 100**

(7) Net Commission Income

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	81	75	8
Commission income from non-banking transactions	4	4	–
	85	**79**	**8**
Commission expense			
Commission expense from banking transactions	31	24	29
	31	**24**	**29**
Total	**54**	**55**	**– 2**

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

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Trading profit / loss			
Profit / loss from debt securities and other fixed-interest securities	45	53	– 15
Profit / loss from shares and other non fixed-interest securities	– 2	9	> 100
Profit / loss from derivatives	238	335	– 29
Interest-rate risks	168	131	28
Currency risks	79	131	– 40
Share-price and other price risks	– 10	61	> 100
Credit derivatives	1	12	– 92
Profit / loss from receivables held for trading	91	53	72
	372	**450**	**– 17**
Foreign exchange result	19	– 66	> 100
Other income	–	1	– 100
	391	**385**	**2**
Profit / loss from the fair value option			
Profit / loss from receivables to customers and banks	8	8	–
Profit / loss from debt securities and other fixed-interest securities	23	44	– 48
Profit / loss from liabilties to banks and customers	– 106	– 263	– 60
Profit / loss from securitised liabilties	– 58	– 91	– 36
	– 133	**– 302**	**– 56**
Total	**258**	**83**	**> 100**

(9) Profit/loss from Hedge Accounting

The profit/loss from hedge accounting includes fair value adjustments relating to the hedged risk of an underlying transaction and offset fair value adjustments to hedging instruments in effective fair value hedge relationships.

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Profit / loss from micro fair value hedges			
from hedged underlying transactions	173	443	– 61
from derivatives employed as hedging instruments	– 170	– 409	– 58
	3	**34**	**– 91**
Profit / loss from portfolio fair value hedges			
from hedged underlying transactions	– 61	– 8	> 100
from derivatives employed as hedging instruments	66	33	100
	5	**25**	**– 80**
Total	**8**	**59**	**– 86**

(10) Profit/loss from Financial Assets

Shown in the profit/loss from financial assets are profits/losses from disposals and estimated profits/losses relating to securities and company shares in the financial asset portfolio.

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**– 1**	**9**	**> 100**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
Debt securities and other fixed-interest securities	1	59	– 98
Shares and other non fixed-interest securities	–	3	– 100
Other financial assets classified as AfS	–	– 3	– 100
Profit / loss from allowances for losses on			
Debt securities and other fixed-interest securities	10	– 67	> 100
Other financial assets classified as AfS	– 3	2	> 100
	8	**– 6**	**> 100**
Profit / loss from shares in companies (not consolidated)	**–**	**– 1**	**– 100**
Total	**7**	**2**	**> 100**

(11) Administrative Expenses

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

	1 Jan. – 31 Mar. 2016 (in € million)	1 Jan. – 31 Mar. 2015 (in € million)	Change (in %)
Staff expenses	149	154	– 3
Other administrative expenses	132	113	17
Amortisation and depreciation	16	17	– 6
Total	**297**	**284**	**5**

(12) Other Operating Profit/loss

	1.1. – 31.3. 2016 (in € million)	1.1. – 31.3. 2015 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	1	6	– 83
from other business	31	68	– 54
	32	**74**	**– 57**
Other operating expenses			
from allocation to provisions	49	70	– 30
from other business	119	81	47
	168	**151**	**11**
Total	**– 136**	**– 77**	**77**

Income from other business includes income from the chartering of ships relating to restructuring commitments in lending business (€ 17 million (€ 20 million)) and income from the disposal of receivables (€ 2 million (€ 27 million)).
Expenses from the allocation of provisions concern in the amount of € 49 million (€ 70 million) expenses for the expected annual contribution to the EU's Single Resolution Fund.

Expenses from other business primarily include expenses from the derecognition of liabilities to banks and customers (€ 64 million (€ 25 million)). Furthermore, other business includes expenses to generate charter income from ships (€ 14 million (€ 13 million)) and expenses from the disposal of receivables (€ 2 million (€ 8 million)).

(13) Reorganisation Expenses

Reorganisation expenses relate to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group, with its material costs and staff expenses being reported separately due to their importance. The need for reorganisation is related to the efficiency improvement programme launched in 2011 and a capital-boosting programme which is the result of EU requirements. The reorganisation expenses include in the amount of € 7 million (€ 6 million) expenses from the allocation made to reorganisation provisions for contracted agreements already concluded concerning the termination of contracts of employment.
The issues recognised under reorganisation expenses are of a non-recurring nature and are not to be allocated to the ordinary business activities of the NORD/LB Group.

(14) Income Taxes

Income taxes in the interim financial statements are calculated based on the anticipated income tax rate for the whole year. The underlying tax rate is based on the legal regulations that are applicable or have been passed as at the reporting date.

Notes to the Balance Sheet

(15) Loans and Advances to Banks

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	3 139	2 509	25
Foreign banks	3 420	2 873	19
	6 559	**5 382**	**22**
Other loans and advances			
German banks			
Due on demand	1 030	856	20
With a fixed term or period of notice	11 714	11 957	– 2
Foreign Banks			
Due on demand	1 851	1 857	–
With a fixed term or period of notice	1 119	1 142	– 2
	15 714	**15 812**	**– 1**
Total	**22 273**	**21 194**	**5**

(16) Loans and Advances to Customers

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	1 267	1 207	5
Customers abroad	452	310	46
	1 719	**1 517**	**13**
Other loans and advances			
Domestic customers			
Due on demand	3 096	3 233	– 4
With a fixed term or period of notice	70 899	71 836	– 1
Customers abroad			
Due on demand	692	730	– 5
With a fixed term or period of notice	29 881	30 562	– 2
	104 568	**106 361**	**– 2**
Total	**106 287**	**107 878**	**– 1**

(17) Risk Provisioning

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Specific valuation allowance	2 679	2 482	8
Lumpsum specific loan loss provisions	7	7	–
General loan loss provisions	477	430	11
Total	**3 163**	**2 919**	**8**

Risk provisioning recognised on the asset side and loan loss provisions developed as follows:

	Specific valuation allowances		Lumpsum specific loan loss provisions		General loan loss provisions		Loan loss provisions		Total	
(in € million)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
1 January	**2 482**	**2 243**	**7**	**7**	**430**	**497**	**55**	**74**	**2 974**	**2 821**
Allocations	524	342	1	1	109	93	4	8	638	444
Reversals	131	282	1	1	61	43	7	14	200	340
Utilisation	113	92	–	–	1	–	–	–	114	92
Unwinding	– 17	– 19	–	–	–	–	–	–	– 17	– 19
Effects of changes of foreign exchange rates and other changes	– 66	127	–	–	–	1	1	2	– 65	130
30 June	**2 679**	**2 319**	**7**	**7**	**477**	**548**	**53**	**70**	**3 216**	**2 944**

(18) Financial Assets at Fair Value through Profit or Loss

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	2 398	1 815	32
Shares and other non fixed-interest securities	49	63	– 22
Positive fair values from derivatives	9 468	7 646	24
Trading portfolio claims	2 230	2 729	– 18
	14 145	**12 253**	**15**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	207	200	3
Debt securities and other fixed-interest securities	1 578	1 582	–
	1 785	**1 782**	**–**
Total	**15 930**	**14 035**	**14**

(19) Financial Assets

The balance sheet item financial assets includes all the debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non fixed-interest securities, shares in companies which are not measured in accordance with IAS 10, IAS 11 or IAS 28 and financial assets classified as loans and receivables (LaR).

Holdings in the equity of other companies and silent participations and participatory capital with loss sharing are allocated to the category (AfS).

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Financial assets classified as LaR	3 210	3 423	– 6
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	30 263	30 493	– 1
Shares and other non fixed-interest securities	166	161	3
Shares in companies (not consolidated)	302	301	–
Other financial assets classified as AfS	124	137	– 9
	30 855	**31 092**	**– 1**
Total	**34 065**	**34 515**	**– 1**

(20) Property and Equipment

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Land and buildings	281	283	– 1
Operating and office equipment	46	45	2
Ships	180	200	– 10
Other property and equipment	50	45	11
Total	**557**	**573**	– 3

(21) Intangible Assets

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Software			
Purchased	64	25	> 100
Internally developed	14	19	– 26
	78	**44**	**77**
Other intangible assets			
Other intangible assets - purchased	46	85	– 46
Other intangible assets - internally developed	26	20	30
	72	**105**	**– 31**
Total	**150**	**149**	**1**

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

(22) Assets Held for Sale

As at 31 March 2016 the designated assets held for sale in accordance with IFRS 5 with a carrying amount totalling € 67 million (€ 58 million) include property and equipment (ships) in the amount of € 12 million (€ 18 million), financial assets in the amount of € 52 million (€ 36 million) and other assets in the amount of € 2 million (€ 2 million).

Property and equipment held for sale include ships from the Ship Customers segment, which were reported at fair value as at 31 December 2014 for the first time within the full consolidation. In accordance with IFRS 5.20, an impairment of € 6 million (€ 11 million) was recognised under other operating expenses in the first quarter of 2016. A disposal of the ships is planned to take place in the current financial year. The financial assets held for sale in the amount of € 36 million are interests in an associated company that are allocated to the segment Group Controlling / Others and was classified for the first time as held for sale with effect of 28 May 2015. They were accounted for at this time using the equity method. The disposal of the shares held in the Group is planned to take place in the second quarter of 2016. Furthermore, the financial assets held for sale in the amount of € 16 million include company shares of the Group Controlling/Others segments, which are reported as assets held for sale. This concerns share certificates and the related economic rights on which a call option was exercised by the counterparty. The sale of these shares is expected to take place in the second quarter of 2016.

(23) Liabilities to Banks

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Deposits from other banks			
German banks	2 048	2 169	– 6
Foreign banks	1 193	1 236	– 3
	3 241	**3 405**	**– 5**
Liabilities resulting from money market transactions			
German banks	9 885	9 971	– 1
Foreign banks	9 423	10 150	– 7
	19 308	**20 121**	**– 4**
Other liabilities			
German banks			
Due on demand	2 434	2 751	– 12
With a fixed term or period of notice	21 595	21 062	3
Foreign banks			
Due on demand	510	759	– 33
With a fixed term or period of notice	753	712	6
	25 292	**25 284**	**–**
Total	**47 841**	**48 810**	**– 2**

(24) Liabilities to Customers

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 260	1 293	– 3
Customers abroad	13	13	–
With an agreed notice period of more than three months			
Domestic customers	31	34	– 9
Customers abroad	1	1	–
	1 305	**1 341**	**– 3**
Liabilities resulting from money market transactions			
Domestic customers	10 915	12 254	– 11
Customers abroad	1 879	3 141	– 40
	12 794	**15 395**	**– 17**
Other liabilities			
Domestic costumers			
Due on demand	16 559	16 519	0
With a fixed term or period of notice	23 935	24 496	– 2
Customers abroad			
Due on demand	1 448	713	> 100
With a fixed term or period of notice	2 137	2 133	0
	44 079	**43 861**	**0**
Total	**58 178**	**60 597**	**– 4**

(25) Securitised Liabilities

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Issued debt securities			
Covered bonds	11 194	10 968	2
Municipal debentures	9 881	10 472	– 6
Other debt securities	14 768	12 618	17
	35 843	**34 058**	**5**
Money market instruments			
Commercial paper	1 394	1 452	– 4
Certificates of deposit	360	367	– 2
	1 754	**1 819**	**– 4**
Total	**37 597**	**35 877**	**5**

Repurchased debt securities issued by the bank itself have been directly deducted from securitised liabilities in the amount of € 4.898 billion (€ 4.720 billion).

In the first three months of the financial year 2016 the nominal volume of issues in the NORD/LB Group totalled € -4.499 billion. Repurchases totalled 1 864 million €, while repayments totalled 2 162 million €. The amount for issues includes, in addition to original issues, papers resold as a result of repurchases. The figures include money market instruments, issued debt securities for securitised liabilities and subordinated capital.

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

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	8 815	7 742	14
Delivery obligations from short-sales	295	12	> 100
	9 110	**7 754**	**17**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 565	6 098	8
Securitised liabilities	2 204	2 205	–
	8 769	**8 303**	**6**
Total	**17 879**	**16 057**	**11**

(27) Provisions

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Provisions for pensions and other obligations	2 316	2 122	9
Other provisions	371	306	21
Total	**2 687**	**2 428**	**11**

Other provisions include provisions for the contribution to the European bank levy in the amount of € 49 million (€ 70 million). This item also includes provisions for reorganisation measures in the amount of € 5 million (€ 5 million).

(28) Liabilities Held for Sale

This position contains liabilities from shares in associated companies held for sale totalling € 12 million (€ 7 million).

(29) Subordinated Capital

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Subordinated liabilities	3 253	3 101	5
Participatory capital	89	152	– 41
Silent participations	539	1 046	– 48
Total	**3 881**	**4 299**	**– 10**

Other Disclosures

(30) Fair Value Hierarchy

In the NORD/LB Group the three-stage fair value hierarchy is used with the Level 1, Level 2 and Level 3 terminology of IFRS 13.

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

Level 1

Under the fair value hierarchy, a financial instrument is categorised in Level 1 if it is traded on an active market and is used to establish the fair value of publicly listed market prices or prices actually traded on the over-the-counter market (OTC market). If no market prices or prices actually traded on the OTC market are available, in the measurement the feasible prices quoted by dealers are used for measurement purposes, with prices quoted by other banks or market makers being applied when price sources other than stock exchange quoted prices are used. These instruments are then assigned to Level 1 if there is an active market for these broker quotations, i.e. if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the broker quotations are for (mixed) prices or if the price is established on a non-active market, these are not assigned to Level 1, but to Level 2 of the measurement hierarchy, if the quotations concern binding offers, observable prices or market transactions.

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

Level 2

In the event that no price quotes are available, the fair value is calculated by means of recognised measurement methods or models as well as by means of external pricing services, if measurement in this case is carried out either fully or to a significant degree using observable input data such as spread curves (Level 2). For the measuring of financial instruments, these methods include measurement methods which are established on the market (e.g. discounted cash-flow method and the Hull & White model for options) whose calculations are always based on input parameters available on an active market. A requirement here is that variables which market participants would have taken into account when specifying prices are included in the measurement process. Wherever possible, respective parameters are taken from markets on which the instruments are issued or acquired.

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

For securities on the assets side for which there is no active market and for which measurement can no longer be based on market prices, fair value is determined for measurement purposes in accordance on the basis of discounted cash flows. For discounted cash-flow methods, all payments are discounted by the risk-free interest-rate curve adjusted for the credit spread. Spreads are determined on the basis of comparable financial instruments (for example on consideration of the respective market segment and the issuers credit rating).

The financial instruments in the NORD/LB Group to be measured in this manner are ascertained on the basis of individual securities and a subsequent separation into active and inactive markets.

Changed market assessments are consistently included in measurement. The identification, analysis and valuation of financial instruments in inactive markets take place in several areas of the Group, whereby the inactivity is assessed as objectively as possible. The measurement model for financial instruments for which no prices listed in active markets can be used is based on term-related interest rates, the credit rating of the respective issuer and where applicable further components such as foreign currency premiums.

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

Level 3

Financial instruments for which there is no longer an active market and for which measurement can no longer be based completely on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation employs models such as market-based discounted cash-flow models that are specific to the Bank as well as data which is not observable on the market. The input parameters used in these methods include among other things assumptions about cash flows, loss estimates and the discount rate and are gathered as far as possible on a near-market basis.

Level 3 financial instruments include trading assets and liabilities, financial instruments designated at fair value and financial assets recognised at fair value.

Establishing fair values

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

In the measurement appropriate consideration is given to all relevant factors such as the bid-ask spread, counterparty risk and typical discounting factors. In the context of the bid-ask spread, measurement is always based on the average price. The financial instruments concerned are in particular securities or liabilities whose fair values are based on prices listed on active markets and financial instruments such as OTC derivatives whose fair values are established using a measurement method and for which the average price is an observable input parameter in the measurement method.

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

For derivatives of OTC markets there are generally no listed prices available, the fair values are therefore established using other measurement methods. The fair values are initially measured using cash-flow models without taking into account the credit default risk. The credit default risk of the counterparty (CVA) and the Bank’s own credit default risk (DVA) are considered by way of an add-on process in the fair value calculation.

Secured OTC derivatives are primarily measured by the NORD/LB Group using the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are no longer discounted with the tenor-specific interest rate, but with the OIS interest rate curve. Unsecured derivatives will continue to be discounted with the tenor-specific interest rate to establish their fair value. In addition a funding valuation adjustment (FVA) was considered in the NORD/LB Group for the first time in the first quarter nof 2016, which represents the market-implied refinancing costs for non-collateralised derivative positions.

This results in an effect of € -20 million on the commercial register.

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

	31 Mar. 2016			31 Dec. 2015		
(in € million)	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
Assets						
Cash reserve	340	340	–	872	872	–
Loans and advances to banks	22 868	22 273	595	21 842	21 194	648
Loans and advances to customers	107 980	106 287	1 693	108 607	107 878	729
Risk provisioning	[1]	– 3 163	3163	[1]	– 2 919	2919
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**130 848**	**125 397**	**5 451**	**130 449**	**126 153**	**4 296**
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	253	– 253	[2]	91	– 91
Financial assets at fair value through profit or loss	15 930	15 930	–	14 035	14 035	–
Positive fair values from hedge accounting derivatives	3 022	3 022	–	2 507	2 507	–
Financial assets not reported at fair value	2 985	3 260	– 275	3 205	3 471	– 266
Financial assets reported at fair value	30 805	30 805	–	31 044	31 044	–
Assets held for sale not reported at fair value	74	37	37	74	38	36
Assets held for sale reported at fair value	30	30	–	20	20	–
Other assets not reported at fair value	44	44	–	35	35	–
Other assets reported at fair value	37	37	–	36	36	–
Total	**184 115**	**179 155**	**4 960**	**182 277**	**178 302**	**3 975**
Liabilities						
Liabilities to banks	48 575	47 841	734	49 439	48 810	629
Liabilities to customers	61 516	58 178	3 338	63 622	60 597	3 025
Securitised liabilities	38 307	37 597	710	36 330	35 877	453
Balancing items for financial instruments hedged in the fair value hedge portfolio	[2]	1 142	– 1 142	[2]	753	– 753
Financial liabilities at fair value through profit or loss	17 879	17 879	–	16 057	16 057	–
Negative fair values from hedge accounting derivatives	3 607	3 607	–	3 148	3 148	–
Liabilities held for sale not reported at fair value	12	12	–	7	7	–
Other liabilities not reported at fair value	66	66	–	29	29	–
Other liabilities reported at fair value	1	1	–	1	1	–
Subordinated capital	4 258	3 881	377	4 726	4 299	427
Total	**174 221**	**170 204**	**4 017**	**173 359**	**169 578**	**3 781**

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

It was not possible to reliably determine a fair value for € 50 million (€ 48 million) of financial instruments as there is no active market for these financial instruments and necessary estimates are not possible within reasonable fluctuation ranges and suitable probabilities of occurrence. These are mainly investments. It is intended that these financial instruments remain in the company.

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

(in € million)	Level 1 31 Mar. 2016	Level 1 31 Dec. 2015	Level 2 31 Mar. 2016	Level 2 31 Dec. 2015	Level 3 31 Mar. 2016	Level 3 31 Dec. 2015	Total 31 Mar. 2016	Total 31 Dec. 2015
Assets								
Assets held for trading	993	725	13 104	11 463	48	65	14 145	12 253
Debt securities and other fixed-interest securities	944	662	1 454	1 153	–	–	2 398	1 815
Shares and other non fixed-interest securities	49	63	–	–	–	–	49	63
Positive fair values from derivatives	–	–	9 467	7 645	1	1	9 468	7 646
Interest-rate risks	–	–	8 365	7 035	–	–	8 365	7 035
Currency risks	–	–	1 076	576	1	1	1 077	577
Share-price and other price risks	–	–	4	10	–	–	4	10
Credit derivatives	–	–	22	24	–	–	22	24
Trading portfolio claims	–	–	2 183	2 665	47	64	2 230	2 729
Financial assets as at fair value through profit or loss	949	946	836	836	–	–	1 785	1 782
Loans and advances to customers	–	–	207	200	–	–	207	200
Financial assets	949	946	629	636	–	–	1 578	1 582
Debt securities and other fixed-interest securities	949	946	629	636	–	–	1 578	1 582
Positive fair values from hedge accounting derivatives	–	–	3 022	2 507	–	–	3 022	2 507
Positive fair values from employed micro fair value hedge derivatives	–	–	2 019	1 882	–	–	2 019	1 882
Interest-rate risks	–	–	1 971	1 836	–	–	1 971	1 836
Currency risks	–	–	48	46	–	–	48	46
Positive fair values from employed portfolio fair value hedge derivatives	–	–	1 003	625	–	–	1 003	625
Interest-rate risks	–	–	1 003	625	–	–	1 003	625
Financial assets at fair value	10 270	11 234	20 176	19 437	359	373	30 805	31 044
Debt securities and other fixed-interest securities	10 090	11 059	20 169	19 430	4	4	30 263	30 493
Shares and other non fixed-interest securities	166	161	–	–	–	–	166	161
Shares in companies (not consolidated)	14	14	7	7	231	232	252	253
Other financial assets classified as AfS	–	–	–	–	124	137	124	137
Financial assets held for sale reported at fair value	–	–	14	20	16	–	30	20
Other financial assets reported at fair value	16	16	21	20	–	–	37	36
Total assets	**12 228**	**12 921**	**37 173**	**34 283**	**423**	**438**	**49 824**	**47 642**

(in € million)	Level 1 31 Mar. 2016	31 Dec. 2015	Level 2 31 Mar. 2016	31 Dec. 2015	Level 3 31 Mar. 2016	31 Dec. 2015	Total 31 Mar. 2016	31 Dec. 2015
Liabilities								
Trading liabilities	214	11	8 895	7 742	1	1	9 110	7 754
Negative fair values from derivatives relating to	4	3	8 810	7 738	1	1	8 815	7 742
interest-rate risks	–	–	7 293	5 915	–	–	7 293	5 915
currency risks	–	–	1 498	1 807	1	1	1 499	1 808
share-price and other price risks	4	3	8	5	–	–	12	8
credit derivatives	–	–	11	11	–	–	11	11
Delivery obligations from short-sales and other trading assets	210	8	85	4	–	–	295	12
Financial liabilities reported at fair value	38	22	8 727	8 277	4	4	8 769	8 303
Liabilities to banks	–	–	437	442	–	–	437	442
Liabilities to customers	–	–	6 128	5 656	–	–	6 128	5 656
Securitised liabilities	38	22	2 162	2 179	4	4	2 204	2 205
Negative fair values from hedge accounting derivatives	–	–	3 607	3 148	–	–	3 607	3 148
Negative fair values from employed micro fair value hedge derivatives	–	–	3 162	2 871	–	–	3 162	2 871
interest-rate risks	–	–	2 830	2 497	–	–	2 830	2 497
currency risks	–	–	332	374	–	–	332	374
Negative fair values from employed portfolio fair value hedge derivatives	–	–	445	277	–	–	445	277
interest-rate risks	–	–	445	277	–	–	445	277
Other financial liabilities reported at fair value	1	1	–	–	–	–	1	1
Total liabilities and equity	**253**	**34**	**21 229**	**19 167**	**5**	**5**	**21 487**	**19 206**

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

The designated assets held for sale at fair value are non-recurrent fair value valuations (see Note (22) Assets Held for Sale).

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

1 Jan. – 31 Mar. 2016 (in € million)	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Assets held for trading	14	–	8	–	–	–
Debt securities and other fixed-interest securities	14	–	8	–	–	–
Financial assets at fair value	1 359	–	539	–	–	–
Debt securities and other fixed-interest securities	1 359	–	539	–	–	–
Financial liabilities reported at fair value	– 6	–	– 23	–	–	–
Securitised liabilities	– 6	–	– 23	–	–	–

For asset-side financial instruments, a level assessment takes place on an individual transaction basis in accordance with HFA 47. This specifies how financial instruments are to be classified in the various levels. Accordingly, (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations have to come from an “active market” in order to be allocated to Level 1. If there are only a few broker quotations or if these involve big bid-ask spreads or price differences, it is assumed that there is no active market. As at the balance sheet date, based on the above, the transfers have been mostly between Level 1 and Level 2 compared to the previous end-of-year reporting date.

When measuring the Bank’s own structured issues in the fair value option, the use of market prices is reviewed as at the reporting date. Following this review, some issues generally move between Level 1 and 2 due to a change in trading activity.

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

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

	Trading assets			
	Positive fair values from derivatives Currency risks		Trading portfolio claims and other trading assets	
(in € million)	2016	2015	2016	2015
1 January	**1**	**–**	**64**	**197**
Effect on the income statement[1]	–	–	– 1	– 34
Addition from purchase or issuance	–	–	41	3
Disposal from sale	–	–	57	–
Repayment / exercise	–	–	–	62
31 Mar.	**1**	**–**	**47**	**104**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	–	– 12

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (5) Net interest income and (8) Profit/loss from financial instruments at fair value through profit or loss.

	Financial assets at fair value					
	Debt securities and other fixed-interest securities		Shares in companies (not consolidated)		Other financial assets classified as AfS	
(in € million)	2016	2015	2016	2015	2016	2015
1 January	**4**	**5**	**232**	**231**	**137**	**129**
Effect on the income statement[1]	–	–	–	–	– 4	1
Effect on the equity capital	–	–	– 1	32	– 1	– 1
Addition from purchase or issuance	–	–	–	14	–	–
Disposal from sale	–	–	–	–	6	–
Repayment / exercise	–	–	–	–	2	–
Disposal to Level 1 and 2	–	–	–	–	–	77
31 Mar.	**4**	**5**	**231**	**277**	**124**	**52**

[1] The effects reported include valuation gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (5) Net interest income and (10) Profit/loss from financial assets.

	Financial assets held for sale reported at fair value	
(in € million)	2016	2015
1 January	**–**	**–**
Addition	16	–
31 Mar.	**16**	**–**

	Trading liabilities			
	Trading liabilities Interest-rate risk		Trading liabilities Currency risks	
(in € million)	2016	2015	2016	2015
1 January	**–**	**16**	**1**	**1**
Disposal from sale	**–**	**16**	**–**	**–**
31 Mar.	**–**	**–**	**1**	**1**

(in € million)	Financial liabilities at fair value through profit or loss Securitised liabilities 2016	2015
1 January	**4**	**9**
31 Mar.	**4**	**9**

For the fair value measurement of the financial instruments in Level 3, the following significant unobservable input data were used.

Product	Fair Value 31 Mar. 2016 (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	4	Fair Value	-	-
Interest-bearing bond (liabilities)	– 4	historical volatilities	16-88 %	30 %
Participations	231	Discount rate	5-10 %	8 %
Silent participations	124	Discount rate	4-11 %	9 %
Loans	19	Rating	Rating Class (25er DSGV-Skala) 9	Averaged Rating 9
	28	Rating	Rating Class (25er DSGV-Skala) 1 (A)	Averaged Rating 1 (A)
Derivatives (assets)	1	historical volatilities	12-88 %	29 %
Derivatives (liabilities)	– 1	historical volatilities	12-38 %	29 %
Financial assets held for sale reported at fair value	16	Value of shares	-	-

A significant input parameter that cannot be observed in the market used in the Level 3 fair value measurement of interest-bearing securities is the fair value itself, because, due to a lack of market data, counterparty prices are used that qualify as Level 3 input parameters. The sensitivity is approximated via a price amendment of 10 per cent and totals € 0.4 million (€ 0.4 million). The aforementioned amount would have a corresponding effect on other comprehensive income (OCI).

A significant input parameter that cannot be observed in the market used in the fair value measurement of silent participations is the discount rate. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was stressed in the measurement by increasing or reducing it by 50 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of investments in Level 3 of € 7.8 million (€ 7.8 million) with a corresponding effect on other comprehensive income (OCI).

A significant input parameter that cannot be observed in the market used in the fair value measurement of silent participations is the discount rate. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was stressed in the measurement by increasing or reducing it by 100 basis points. Accordingly an imputed change in the parameter would result in a change in the fair value of these silent participations in Level 3 of € 3.5 million (€ 3.5 million) with a corresponding effect on other comprehensive income (OCI).

A significant input parameter that cannot be observed in the market used in the fair value measurement of loans is the internal rating. Significant changes in this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was moved up and down one class. Accordingly an imputed change in the parameter would result in a change in the fair value of the loan in Level 3 of € 0.2 million (€ 0.1 million) with a corresponding effect on the income statement.

There are currently no derivatives that have been measured as part of syndicated loans and allocated to Level 3.

There are also derivatives that have been allocated to Level 3 based on historic volatility.

Details concerning the sensitivity of historic volatilities are permissibly not given, as the historic volatilities are not calculated by the company itself, but are based on original market transactions.

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

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

(31) Derivative Financial Instruments

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

(in € million)	Nominal values		Fair value positive		Fair value negative	
	31 Mar. 2016	31 Dec. 2015	31 Mar. 2016	31 Dec. 2015	31 Mar. 2016	31 Dec. 2015
Interest-rate risk	288 636	287 093	17 187	13 331	16 381	12 590
Currency risk	49 438	50 469	1 404	624	2 090	2 180
Share price and other price risks	171	200	4	10	12	8
Credit risk	2 994	2 894	22	24	11	11
Total	**341 239**	**340 656**	**18 617**	**13 989**	**18 494**	**14 789**

(32) Disclosures Concerning Selected Countries

The table below shows, in contrast to the exposure in the risk report (see the Interim Management Report), the reported values of transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related public-sector companies.

(in € million)	Financial Instruments Held for Trading 31 Mar. 2016	Financial Instruments Held for Trading 31 Dec. 2015	Financial Instruments designated at Fair Value through Profit or Loss 31 Mar. 2016	Financial Instruments designated at Fair Value through Profit or Loss 31 Dec. 2015	Available for Sale Asets 31 Mar. 2016	Available for Sale Asets 31 Dec. 2015
Ireland						
Country	– 1	9	–	–	22	22
Financing institutes / insurance companies	– 16	13	–	–	23	24
Companies / other	64	37	–	–	–	–
	47	**59**	**–**	**–**	**45**	**46**
Italy						
Country	–	–	82	84	1 073	1 071
Financing institutes / insurance companies	13	1	–	–	53	124
Companies / other	7	4	–	–	88	90
	20	**5**	**82**	**84**	**1 214**	**1 285**
Portugal						
Country	– 3	– 2	–	–	50	51
Financing institutes / insurance companies	– 1	– 1	–	–	–	1
Companies / other	–	–	–	–	13	–
	– 4	**– 3**	**–**	**–**	**63**	**52**

(in € million)	Financial Instruments Held for Trading 31 Mar. 2016	Financial Instruments Held for Trading 31 Dec. 2015	Financial Instruments designated at Fair Value through Profit or Loss 31 Mar. 2016	Financial Instruments designated at Fair Value through Profit or Loss 31 Dec. 2015	Available for Sale Asets 31 Mar. 2016	Available for Sale Asets 31 Dec. 2015
Slowenia						
Country	–	4	–	–	–	–
	–	**4**	**–**	**–**	**–**	**–**
Spain						
Country	–	1	–	–	129	138
Financing institutes / insurance companies	27	17	–	–	1 164	1 239
Companies / other	10	9	–	–	27	28
	37	**27**	**–**	**–**	**1 320**	**1 405**
Hungary						
Country	–	–	–	–	114	113
	–	**–**	**–**	**–**	**114**	**113**
Cyprus						
Companies / other	18	1	–	–	–	–
	18	**1**	**–**	**–**	**–**	**–**
Total	**118**	**93**	**82**	**84**	**2 756**	**2 901**

For financial instruments categorised as available for sale with acquisition costs totalling € 1.952 billion (€ 2.582 billion), the cumulative valuation result of the selected countries reported in equity totals € 119 million (€ 118 million). In addition to this, depreciation of € 0 million (€ 1 million) was recognised in the income statement for the period.

(in € million)	Loans and Receivables: Gross book value 31 Mar. 2016	Gross book value 31 Dec. 2015	Specific valuation allowances 31 Mar. 2016	Specific valuation allowances 31 Dec. 2015	General loan loss provisions 31 Mar. 2016	General loan loss provisions 31 Dec. 2015	Fair Value 31 Mar. 2016	Fair Value 31 Dec. 2015
Greece								
Companies / other	20	21	–	–	1	– 1	20	19
	20	**21**	**–**	**–**	**1**	**– 1**	**20**	**19**
Ireland								
Financing institutes / insurance companies	182	193	–	–	–	–	184	198
Companies / other	2 189	2 332	–	–	2	– 2	2 071	2 148
	2 371	**2 525**	**–**	**–**	**2**	**– 2**	**2 255**	**2 346**
Italy								
Financing institutes / insurance companies	77	83	–	–	–	–	60	69
Companies / other	227	213	–	–	–	–	233	216
	304	**296**	**–**	**–**	**–**	**–**	**293**	**285**
Portugal								
Companies / other	25	25	–	–	–	–	25	25
	25	**25**	**–**	**–**	**–**	**–**	**25**	**25**
Russia								
Financing institutes / insurance companies	151	148	–	–	–	–	150	148
Companies / other	49	43	–	–	–	–	48	41
	200	**191**	**–**	**–**	**–**	**–**	**198**	**189**

(in € million)	Loans and Receivables: Gross book value 31 Mar. 2016	Gross book value 31 Dec. 2015	Specific valuation allowances 31 Mar. 2016	Specific valuation allowances 31 Dec. 2015	General loan loss provisions 31 Mar. 2016	General loan loss provisions 31 Dec. 2015	Fair value 31 Mar. 2016	Fair value 31 Dec. 2015
Spain								
Country	52	52	– 4	– 4	–	–	54	54
Financing institutes / insurance companies	100	84	–	–	–	–	100	84
Companies / other	226	249	23	24	–	–	229	254
	378	**385**	**19**	**20**	**–**	**–**	**383**	**392**
Hungary								
Financing institutes / insurance companies	1	1	–	–	–	–	1	1
Companies / other	30	33	–	–	–	–	30	32
	31	**34**	**–**	**–**	**–**	**–**	**31**	**33**
Cyprus								
Companies / other	1 048	1 072	34	– 49	18	6	789	779
	1 048	**1 072**	**34**	**– 49**	**18**	**6**	**789**	**779**
Total	**4 377**	**4 549**	**53**	**– 29**	**21**	**3**	**3 994**	**4 068**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio is € 551 million (€ 567 million). Of this, states account for € 378 million (€ 378 million), financing institutions/insurance companies for € 107 million (€ 125 million) and companies/others for € 67 million (€ 64 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € -6 million (€ -4 million).

Other Notes

(33) Regulatory Data

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

(in € million)	31 Mar. 2016	31 Dec. 2015
Total risk exposure amount	**63 749**	**63 675**
Capital requirements for credit risk	4 365	4 352
Capital requirements for operational risks	409	419
Capital requirements for market risks	235	251
Capital requirements for loan amount adjustments	90	73
Capital requirements	**5 100**	**5 095**

The following schedule shows the composition of regulatory equity for the group of institutes in accordance with art. 25 ff. of the CRR:

(in € million)	31 Mar. 2016	31 Dec. 2015
Paid-up capital including premium	4 930	4 930
Reserves	2 759	2 908
Eligible components of CET 1 capital at subsidiaries	831	837
Other components of CET 1 capital	– 77	36
– Deductible items (from CET 1 capital)	– 828	– 964
Adjustments due to transition rules	406	573
Common Equity Tier 1 capital	**8 020**	**8 320**
Grandfathered AT1 instruments	451	451
Adjustments due to transition rules	– 186	– 331
Additional Tier 1 capital	265	120
Tier 1 capital	**8 285**	**8 440**
Paid-up instruments of Tier 2 capital	2 713	2 616
Eligible components of Tier 2 capital at subsidiaries	191	270
– Deductible items (from Tier 2 capital)	– 25	– 25
Adjustments due to transition rules	– 535	– 654
Tier 2 capital	**2 343**	**2 207**
Own funds	**10 628**	**10 647**

(in %)	31 Mar. 2016	31 Dec. 2015
Common equity tier 1 capital ratio	12,58%	13,07%
Tier 1 capital ratio	13,00%	13,25%
Total capital ratio	16,67%	16,72%

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

(34) Contingent Liabilities and Other Obligations

	31 Mar. 2016 (in € million)	31 Dec. 2015 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	4 004	4 271	– 6
Other obligations			
Irrevocable credit commitments	6 399	9 409	– 32
Total	**10 403**	**13 680**	**– 24**

(35) Related Parties

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

31 Mar. 2016 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**243**	**–**	**214**
of which: money market transcations	–	–	–	72	–	–
of which: loans	–	–	–	163	–	214
other loans	–	–	–	163	–	214
Loans and advances to customers	**2 319**	**6**	**–**	**308**	**1**	**693**
of which: money market transcations	–	–	–	13	–	–
of which: loans	2 311	6	–	295	1	693
public-sector loans	2 228	–	–	14	–	681
mortage-backed loans	–	5	–	92	1	4
other loans	83	1	–	189	–	8
Financial assets at fair value through profit or loss	**226**	**–**	**–**	**73**	**–**	**33**
of which: Debt securities and other fixed-interest securities	51	–	–	–	–	–
of which: Positive fair values from derivatives	81	–	–	73	–	2
of which: Trading portfolio claims	94	–	–	–	–	31
Positive fair values from hedge accounting derivatives	**153**	**–**	**–**	**–**	**–**	**–**
Financial assets	**1 979**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 979	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**4 677**	**6**	**–**	**641**	**1**	**940**

31 Mar. 2016 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**14**	**–**	**340**	**–**	**130**
Liabilities to customers	**1 157**	**472**	**1**	**376**	**4**	**822**
of which: money market transcations	–	–	–	–	1	–
of which: saving deposits	781	1	–	54	–	109
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**76**	**–**	**–**	**9**	**–**	**226**
of which: negative fair values from derivatives	50	–	–	9	–	13
Negative fair values from hedge accounting derivatives	**21**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**131**	**–**	**–**	**–**	**15**
Total	**1 255**	**617**	**1**	**725**	**4**	**1 194**
Guarantees / sureties received	410	–	–	–	–	–
Guarantees / sureties granted	–	–	–	13	–	17

1 Jan. – 31 Mar. 2016 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	9	5	–	7	–	3
Interest income	33	–	–	6	–	8
Other income and expenses	– 15	–	–	– 6	– 1	2
Total contributions to income	**9**	**– 5**	**–**	**– 7**	**– 1**	**7**

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

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

1 Jan. – 31 Mar. 2015 (in € million)	Companies with significant influence	Subsidaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	13	15	–	9	–	1
Interest income	35	–	–	6	–	9
Other income and expenses	1	–	–	7	– 1	– 8
Total contributions to income	**23**	**– 15**	**–**	**4**	**– 1**	**–**

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

(36) Basis of Consolidation

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

Name und Sitz des Unternehmens	Shares (%) indirect	Shares (%) direct
In den Konzernabschluss einbezogene Zweckgesellschaften		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II GmbH, Fürstenberg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
Happy Auntie S.A., Majuro / Marshallinseln	–	–
KMU Gruppe		
Beteiligungs- Kommanditgesellschaft MS "Buxmelody" Verwaltungs- und Bereederungs GmbH & Co., Buxtehude	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
GEBAB Ocean Shipping II GmbH & Co. KG, Hamburg	–	–
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	–	–
MT "BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "BALTIC COMMODORE" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SCORPIUS" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC SOLAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
MT "NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
"OLIVIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PANDORA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
MS "HEDDA SCHULTE" Shipping GmbH & Co. KG, Hamburg	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Proud Parents Investment Co., Majuro / Marshallinseln	–	–
In den Konzernabschluss einbezogene Investmentfonds		
NORD/LB AM ALCO	–	100,00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
Bremische Wohnungsbaubeteiligungsgesellschaft mbH	50.00	–
caplantic GmbH, Hannover	–	45.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
BREBAU GmbH, Bremen	48.84	–
GSG OLDENBURG Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	44.00	–
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg [1]	–	56.61
Toto-Lotto Niedersachsen GmbH, Hannover	49.85	–
Öffentliche Lebensversicherung Braunschweig, Braunschweig [2]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [2]	–	75.00
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
After IFRS 5 valuated companies		
Subsidiaries		
Nordic Buxtehude Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
Nordic Stade Schifffahrtsgesellschaft mbH & Co. KG, Hamburg	–	–
NORD/LB Vermögensmanagement Luxembourg S.A., Luxemburg-Findel / Luxemburg	–	100.00
Associated companies		
Deutsche Factoring Bank Deutsche Factoring GmbH & Co., Bremen	27.50	–

[3] Due to the “potential voting rights” of third parties, this company is classified as an associated company.
[4] Due to the structure under company law, this company is classified as an associated company.

Further Information

Members of Governing Bodies

1. Members of the Managing Board

Dr. Gunter Dunkel
(Chairman)

Ulrike Brouzi

Thomas S. Bürkle

Eckhard Forst

Dr. Hinrich Holm

Christoph Schulz

2. Members of the Supervisory Board

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

Thomas Mang (First Deputy Chairman)
President of Sparkassenverband Niedersachsen

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

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

Frank Berg
Chairman of the Managing Board,
Ostsee Sparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board,
Sparkasse Jerichower Land

Edda Döpke
Bank employee,
NORD/LB Hanover

Ralf Dörries
Senior Bank Director,
NORD/LB Hanover

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

Frank Hildebrandt
Bank employee,
NORD/LB Braunschweig

Frank Klingebiel
Mayor of Salzgitter

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

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

Felix von Nathusius
Chairman of the Managing Board
IFA ROTORION - Holding GmbH
(since 1 November 2015)

Antje Niewisch-Lennartz
Justice Minister of Lower Saxony

Freddy Pedersen
ver.di Trade Union

Jörg Reinbrecht
ver.di Trade Union

Ilse Thonagel
Bank employee, Landesförderinstitut
Mecklenburg-Vorpommern

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 them or to correct them if developments are other than expected.

NORD/LB

Finance Calendar 2016

26 May 2016	Publication of the figures as at 31 March 2016
25 August 25	Publication of the figures as at 30 June 2016
24 November 2016	Publication of the figures as at 30 September 2016

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

Please contact Investor Relations to order a report or if you have any questions.
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NORD/LB

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Branches (including Braunschweigische Landessparkasse)

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

There are over 100 branches and self-service centres in the business region of Braunschweigische Landessparkasse.
Details can be found at https://www.blsk.de

Foreign branches

London, New York, Singapore, Shanghai

Significant investments

Bremer Landesbank Kreditanstalt Oldenburg – Girozentral, Bremen and Oldenburg
Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover
NORD/LB Asset Management Holding AG, Hanover
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg.
Öffentliche Versicherung Braunschweig, Braunschweig

Die norddeutsche Art.

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