

# Strategic Action.

Interim Report as at 30 September 2017

## NORD/LB at a glance

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Income Statement</b>			
Net interest income	1 065	1 357	- 22
Loan loss provisions	683	1 651	- 59
Net commission income	89	164	- 46
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	253	354	- 29
Profit/loss from financial assets	133	61	> 100
Profit/loss from investments accounted for using the equity method	29	- 18	> 100
Administrative expenses	883	835	6
Other operating profit/loss	372	- 47	> 100
<b>Earnings before reorganisation and taxes</b>	<b>375</b>	<b>- 615</b>	<b>&gt; 100</b>
Reorganisation expenses	49	9	> 100
<b>Earnings before taxes</b>	<b>326</b>	<b>- 624</b>	<b>&gt; 100</b>
Income taxes	98	112	- 13
<b>Consolidated profit</b>	<b>228</b>	<b>- 736</b>	<b>&gt; 100</b>
<b>Key figures</b>			
Cost-Income-Ratio (CIR)	48,8%	46,1%	6
Return-on-Equity (RoE)	7,6%	-10,4%	> 100
<b>Balance figures</b>			
Total assets	165 220	174 797	- 5
Customer deposits	56 920	57 301	- 1
Customer loans	97 643	105 640	- 8
Equity	6 295	6 041	4
<b>Regulatory key figures</b>			
Common equity tier 1 capital	5 971	6 752	- 12
Tier 1 capital	6 411	7 122	- 10
Tier 2 capital	2 323	2 656	- 13
Own funds	8 733	9 777	- 11
Total risk exposure amount	51 776	59 896	- 14
Common equity tier 1 capital ratio (in %)	11,53%	11,27%	2
Total capital ratio (in %)	16,87%	16,32%	3

Aufgrund von Rundungen können sich im vorliegenden Bericht bei der Summenbildung und bei der Berechnung von Prozentangaben geringfügige Abweichungen ergeben.

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# Interim Group Management Report as at 30 September 2017

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## The Group – basic information

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## Business model

Norddeutsche Landesbank Girozentrale (abbreviated in this document as NORD/LB or the Bank) is a public-law institute with legal capacity and registered offices in Hanover, Braunschweig and Magdeburg. The Bank's owners are the federal states of Lower Saxony and Saxony-Anhalt, the Savings Banks Association of Lower Saxony (Sparkassenverband Niedersachsen, referred to below as SVN), the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungszweckverband Mecklenburg-Vorpommern).

The issued capital amounts to € 1,607,257,810, with the federal state of Lower Saxony holding 59.13 per cent (of which around 38.11 per cent is held in trust for the federal-state-owned Hannoverische Beteiligungsgesellschaft mbH, Hanover), the federal state of Saxony-Anhalt holding around 5.57 per cent, the SVN around 26.36 per cent, the Holding Association of the Savings Banks of Saxony-Anhalt around 5.28 per cent and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania around 3.66 per cent.

NORD/LB is a commercial bank, landesbank (federal state bank) and central bank for the savings banks operating in northern Germany and beyond this core region, with domestic branches in Hamburg, Munich, Düsseldorf, Schwerin and Stuttgart. Bremer Landesbank (BLB), a subsidiary which was previously fully consolidated, numbers among the Bank's branches since the merger as at 31 August with effect from 1 January 2017. The branches in the important financial and trading centres of

London, New York and Singapore play a significant role in NORD/LB's foreign business activities. As legally dependent business units, the branches pursue the same business model as NORD/LB. The values of trust, responsibility and sustainability applied throughout the Group are complemented by reliability and transparency.

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

NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony. It also provides all services for savings banks in other German federal states such as Schleswig-Holstein.

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

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

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



## Strategic development of NORD/LB

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

Based on the general economic environment, NORD/LB will continue to pursue its chosen course, with its proven customer-oriented busi-

ness model and risk-conscious business policy. The business model focuses business activities consistently on customers' needs and continuous improvement of risk-adjusted profitability.

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

## Control system

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

Another key control instrument is the annual strategy and planning process. In spring, the Managing

Board confirms or revises the strategic objectives, which are then used to set the targets for the following year's planning in autumn. The planning is synchronised during a top-down/bottom-up process. Decisions on planning for the following year are made by the competent committees at year's end.

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

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

Equity capital management is based primarily on the common equity tier 1 capital ratio, the tier 1 capital ratio and the total capital ratio in accordance with EU Regulation No. 575/2013 on Regulatory Requirements for Banks and Securities Firms (CRR). Details regarding the variables used for equity management and the measures implemented can be found in the "Equity management" section. The leverage ratio and the absolute variables required to calculate these key figures are also included. The primary objective is to ensure adherence over the long term to the defined internal objectives and all regulatory requirements.

Given the need to provide evidence of adequate capital, the risks incurred are continuously reviewed to ensure that they are covered by the available risk capital at all times. This includes management of risk-bearing capacity, taking account of

the utilisation of risk capital by risk potential. The risk-bearing capacity calculation is supplemented with stress tests in order to provide an in-depth analysis. A detailed description of risk management can be found in the section of the same name. The overarching goal of liquidity risk management and monitoring is to ensure NORD/LB's payment and funding ability at all times. Liquidity risks are limited on the basis of defined scenarios and the key limits are monitored daily. Further information can be found in the description of risk management and in the risk report.

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

## Risk management

The NORD/LB Group's risk management and the corresponding structural and process organisation, the procedures implemented, methods of risk measurement and monitoring, and the risks to the Group's development were presented in detail in the 2016 Annual Report. Consequently, this interim report only describes significant developments in the reporting period.



## Economic Report

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## General economic and industry-specific environment

### Economic environment

The third quarter of 2017 saw a continuation of the global economic upturn. Economic growth in the USA remained more or less at the level seen in spring. After adjustments for inflation and seasonal factors, gross domestic product (GDP) expanded by 3.0 per cent on an annualised basis during the summer.

The eurozone was able to maintain the high economic momentum achieved in the first half of the year. After adjustments for inflation and seasonal factors, gross domestic product in the single-currency area grew by 0.6 per cent as compared with the previous quarter, while the annual rate climbed to 2.5 per cent. The favourable economic situation prompted a continuation of the reduction in the unemployment rate, which most recently reached 8.9 per cent (in September). However, the inflation rate (1.4 per cent in October) continued to lag behind the ECB target of less than (but close to) 2.0 per cent.

In the recent period, the German economy expanded just as vigorously as the eurozone's GDP. Following a highly dynamic first half, German economic growth also continued to outperform potential in the third quarter. In Q3, real gross domestic product increased by 0.8 per cent as compared to the preceding quarter. Exports benefited not only from robust domestic demand but also from the upturn in global demand. Employment continued to grow at an undiminished rate; after seasonal adjustments, the number of persons in gainful employment during September was 44.4 million.

Optimism about the economy has spilled over onto the capital markets; the DAX, the German equity index, remained consistently above the 13 000 mark at the end of October, marking a new all-time high. The central banks' ongoing highly expansionary monetary policy is also continuing to support the rise in prices. The US Federal Reserve decided to implement two interest-rate increases of 25 basis points each in the first half of the year but, as expected, decided not to change the Fed Funds Target Rate again in September. However, the Fed did publish a plan for the gradu-

al reduction of its balance sheet, and another interest rate increase is in preparation for December. In the eurozone, the European Central Bank (ECB) continued its very expansive monetary policy without change. As expected, there were no changes to key rates. The same was true of interest-related forward guidance and sequencing, indicating that key rates are not to be increased until well after the end of net purchases. Additional monetary policy stimulus is being reduced against the backdrop of a very strong economic upswing – although the inflationary trend is muted. The ECB's decisions reduce monetary policy stimulus. However, the full package of decisions also reflects a markedly cautious approach aimed at avoiding excessive market reactions insofar as possible. European government bond yields initially failed to maintain the upward trend seen in the first half of the year. From their high for the year of over 0.60 per cent in July, yields from ten-year German Bunds have fallen below the 0.50 per cent mark again. Money market rates remained persistently in negative territory with almost no changes, since the markets now expect no changes to key rates before 2019. Recently, the US dollar benefited again from the prospects of somewhat tighter US monetary policy and by the end of October, it had moved well away from the 1.20 USD per EUR mark. After the EUR/USD basis swap spreads contracted towards the end of the first quarter of 2017, they remained more or less unchanged within a range of -35 basis points across all maturities at the end of October.

### Aircraft

According to the calculations of the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) increased by 7.7 per cent year on year in the first nine months of 2017. The growth rates were 8.0 per cent for international traffic and 7.0 per cent for domestic traffic. Once again, there were clear geographical differences in these transport trends. Above-average performance was reported for passenger traffic in the Asia/Pacific region (10.0 per cent) and Europe (8.5 per cent). In overall

terms, growth was driven by the upturn in the global economy coupled with lower air fares.

The number of freight tonne kilometres (FTK) sold grew by 10.1 per cent year-on-year in the first nine months of 2017. Measured in terms of market share, the growth drivers were air freight companies in Europe and the Asia/Pacific region, which posted year-on-year increases of 12.9 per cent and 9.5 per cent respectively. This growth was due to the improved state of the global economy and strong demand for express air freight as a result of the boom in e-commerce.

### Shipping

There were certainly some signs of recovery on the shipping markets in the third quarter, albeit from the perspective of a rather low starting-point. The charter market in the container sector remained stable throughout this year's peak season during summer. Even with this improved level, however, charter rates were only partially sufficient to service debt insofar as older financing was concerned. The positive order situation was reflected in the ongoing reduction of laid-up vessels' amount. At the peak in September, only 1.7 per cent of the global container fleet was unemployed. The positive trend in demand was bolstered by rising volumes of trade on the main routes. However, freight rates came under pressure again due to expanded capacities and ongoing competition from the new alliances. The dry bulk sector also showed definite signs of a recovery during the reported period. The Baltic Dry Index rose by about 500 points in the third quarter of 2017, driven yet again by impetus due to Chinese demand for iron ore; this easily compensated for the previous quarter's decline (-381 points). In the tanker market, on the other hand, Hurricane Harvey caused turbulence. Nevertheless, the massive disruptions to production at US refineries had a more noticeable impact on the product side than on the crude oil side. US exports of oil products dropped to a 7-year low as the result of the storm, also triggering movements on the market. The bottlenecks triggered temporary but noticeable repercussions on rate levels for product tankers. The crude oil market was relatively unscathed. Outages in the USA only reduced inventories for a

short period. Despite OPEC's declarations of its intention to curb output, the high level of the global oil supply remains unchanged, as reflected in the trend for crude oil prices. Freight rates as tracked by the Baltic Dirty Tanker Index rose slightly during the quarter, whereas the charter market in the crude oil tanker segment (which is geared to the longer term) showed almost no reaction and remained weak.

### Real Estate

Global real estate markets developed at a stable level overall in the third quarter of 2017, although there were some regional differences. Key issues on the real estate market remained the same: the impact of Brexit, the interest-rate policies of the ECB and the Fed, and the political direction pursued by the US.

Global transaction volume in the third quarter of 2017 was virtually unchanged year on year at around USD 165 billion (Q3 2016: around USD 166 billion). The transaction volume in America fell by a substantial 20 per cent as compared to the third quarter of 2016, to reach a figure of some USD 62 billion; by contrast, the transaction volume in the EMEA region grew significantly by 24 per cent to about USD 69 billion.

In Germany, the commercial transaction volume in the first nine months of 2017 was € 38.6 billion. This equates to a significant increase of 19 per cent as compared to the same period in the prior year. There was a continued shortage of suitable properties. With a share of 45 per cent of total commercial transaction volume, office properties remained the most popular asset class. The Big 7 (Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich and Stuttgart) accounted for € 20.4 billion of the total commercial transaction volume.

### Financial sector

The European banking market has been in a state of profound change for years. This has been triggered by various external factors, in particular changes resulting from the financial market crisis such as weaker economic growth, very low interest rates and increasing regulation. In addition, ongoing digitisation of business is having an ever



greater impact on the banking sector. Taken together, all these factors have led to a reduction in the number of banks in the EU over the years.

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

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

In addition to the expense of ongoing restructuring programmes, this is due to a sharp rise in costs as a result of ever stricter regulatory requirements and investments in IT structures, partially in con-

nection with the advance of digitisation. In short, the European banking system faces various structural problems that have negative implications for profitability. Ultimately, this restricts the banks' ability to absorb risks and build capital reserves.

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

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

## Significant events in the financial year

### Regulatory requirements regarding minimum capital

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

Central Bank (ECB) has required adherence, based on the Supervisory Reporting Process (SREP), to an individual capital requirement of 2.25 per cent, which must be comprised entirely of common equity tier 1 capital. In 2017, NORD/LB must observe the statutory capital conservation buffer of 1.25 per cent, and, as a national bank of systemic importance, must also maintain a capital buffer for other institutions of systemic importance of 0.33 per cent. Both capital buffers must be comprised of common equity tier 1 capital.

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

(in per cent)	Common equity tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Regulatory requirement	4,5	6,0	8,0
Additional requirement according to SREP	2,25	2,25	2,25
Capital conservation Buffer	1,25	1,25	1,25
Capital buffer for otherwise system relevance	0,33	0,33	0,33
<b>Total requirement</b>	<b>8,33</b>	<b>9,83</b>	<b>11,83</b>
<b>30 Sep.2017</b>	<b>11,53</b>	<b>12,38</b>	<b>16,87</b>

NORD/LB met these capital requirements at all times during the reporting period.

Based on a figure of 11.3 per cent at the end of 2016, the common equity tier 1 capital ratio has risen to 11.5 per cent, due mainly to a significant reduction in risk-weighted assets (RWA).

### Integration of Bremer Landesbank

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

As at 31 August 2017, BLB was legally merged with NORD/LB with retroactive effect from 1 January 2017, on the basis of resolutions to this effect by the owners' meetings of the two companies. All rights and obligations of BLB existing as at 1 January 2017 were thereby transferred to NORD/LB. As a result of the merger, BLB lost its legal independence and operates henceforth as a branch of

NORD/LB. The full organisational, technical and cultural integration of BLB into NORD/LB is being implemented gradually by means of an internal transformation process.

In connection with the restructuring, material costs are to be reduced and staffing measures will be utilised to leverage synergy effects. On 31 December 2016, the costs forecast at that time of around € 37 million were set aside for this purpose at the level of Bremer Landesbank. Measures to reduce staff costs were defined more specifically during 2017. In this context, NORD/LB decided on the restructuring plan for the integration of Bremer Landesbank on 26 September 2017, and it staged several events to inform the workforce about the upcoming restructuring. Based on progress with defining specific measures, a further provision of about € 48 million was formed at NORD/LB level as at the third quarter.

In the run-up to the merger, a capital increase was implemented in the current financial year in or

der to strengthen the capital reserves and reduce pressure on BLB's regulatory capital ratios. As an additional measure to free up regulatory equity, BLB also increased a synthetic securitisation transaction during the first half-year of the reporting period. This involved increasing the first-loss tranche already placed.

Later on in the financial year, a request to use a waiver in accordance with § 2a paras. 1 and 2 of the German Banking Act (KWG) in conjunction with Art. 7 para.1 CRR was approved by the responsible regulatory authority. Consequently, NORD/LB – as the superordinate entity prior to the merger and as a merged entity after the legal acquisition on 31 August – will be solely responsible for compliance with banking supervision regulations regarding capital adequacy requirements at institution level, the requirements for reporting large loans as well as the calculation and safeguarding of risk-bearing capacity, the determination of strategies and the establishment of processes to identify, assess, manage, monitor and communicate risks (§ 25a para. 1 sentence 3 No. 1 KWG).

On 28 July 2017, NORD/LB applied to the ECB for a capital waiver for parent companies (known as a 'parent waiver') pursuant to § 2a para. 1 and para. 2 KWG in conjunction with Art. 7 para. 3 CRR. A letter dated 29 September 2017 informed NORD/LB on 2 October 2017 that the application was approved. This makes it possible to obtain relief based on utilisation of the parent waiver for all reports and notifications to be issued after receipt of the letter.

Utilising the possibilities for regulatory relief should reduce complexity and increase transparency, especially as regards reporting and determination of risk-bearing capacity.

#### **„One Bank“**

NORD/LB launched the Group-wide One Bank transformation programme in the first quarter of 2017. This involves a business model without any overlaps that should focus more closely than before on the Group's core business segments. In this context, the aim is to qualitatively expand the Corporate and Private Customers, Markets and Project Financing business segments. One Bank

also includes extending the already strong market position in financing for future business segments such as infrastructure or renewables. At the same time, selective redimensioning of the shipping credit portfolio will be driven ahead. An operational model adapted to these objectives aims to optimise processes and IT applications on a cross-departmental basis, with the focus on value-enhancing activities. Overall responsibility for the transformation programme is assigned to the new Bank Management and Transformation department. This unit also groups together competencies for the management of general bank KPIs by finance and cost controlling.

Ways of simplifying the Group's structure are also being examined in this context, and all units in the Group are under scrutiny. In the future, additional reorganisation measures will be gradually specified and implemented on the basis of the project plan now in place for the One Bank programme.

In addition to the full integration of Bremer Landesbank into NORD/LB, the One Bank transformation programme aims to implement sustainable cost savings of up to € 200 million by the end of 2020, and also to cut as many as 1,250 jobs in the NORD/LB Group. As far as possible, staff reductions are to be implemented on a socially responsible basis. In the third quarter of 2017, NORD/LB concluded a future safeguarding agreement with the staff representative body regarding the measures under consideration for this purpose, which include early retirement arrangements as well as severance packages.

Before the planned savings effects from the One Bank transformation programme can be achieved, additional reorganisation expense must be expected in the Group; this will be taken into account by the formation of provisions once additional measures have been defined in adequately specific form.

#### **Reduction of ship loan portfolio**

The new Shipping Portfolio Optimisation (SPO) unit was set up on 1 July 2017 for the purpose of taking targeted action to counter the ongoing impact of the shipping crisis in the future. This unit is to take responsibility for activities aimed at stabilising, managing, restructuring and reducing

about three quarters of the Group's entire transferred shipping credit portfolio. Targeted measures made it possible to reduce the portfolio to € 13.3 billion in recent months.

#### **External rating**

Following the rating downgrade in April this year, the Moody's Investors Service rating agency reduced NORD/LB's long-term issuer rating to Baa3 on 30 June. The reason for this move was the deterioration of the financial strength rating (Baseline Credit Assessment). The outlook was set to negative.

In its report dated 19 July 2017, Moody's cites the reasons: the weakness of credit quality in the shipping portfolio and the susceptibility of the capital ratios to risks from the shipping portfolio. The Bank's funding and liquidity situation is rated as solid. NORD/LB has already introduced a series of measures in order to reduce the shipping portfolio, improve profitability and sustainably strengthen the capital ratio. The success of these

measures can be seen in the reduced portfolio, the positive result as at 30 September 2017 and the increase in capital ratios during the year. These measures are aimed at stabilising and/or improving the rating.

NORD/LB continues to have adequate liquidity at its disposal, with no changes in this regard. For funding purposes, NORD/LB is currently increasing its use of collateralised funding. The change in the baseline rating is taken into account when planning new business and funding.

#### **Ruling by the Federal Supreme Court**

On 4 July 2017, the Federal Supreme Court ruled in two cases that processing fees not linked to specific maturities in loan agreements concluded between banks and entrepreneurs are ineffective. The same ruling was already handed down in 2014 regarding processing fees charged for loan agreements between banks and consumers. Provisions have been formed as appropriate to repay the processing fees that were charged.

## Report on the earnings, assets and financial position

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

### Earnings position

The NORD/LB Group posted positive earnings before taxes of € 326 million in the first nine months of the reporting year. The income statement figures can be summarised as follows:

	1 Jan. - 30 Sep.2017 (in € million)	1 Jan. - 30 Sep.2016 <sup>1)</sup> (in € million)	Change (in %)
Net interest income	1 065	1 357	- 22
Loan loss provisions	683	1 651	- 59
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Profit/loss from financial instruments at fair value through profit or loss fair value through profit or loss including Hedge Accounting	253	354	- 29
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Income taxes	98	112	- 13
<b>Consolidated profit</b>	<b>228</b>	<b>- 736</b>	<b>&gt; 100</b>

<sup>1)</sup> The previous annual figures have been adjusted; in order to provide more precise interest results, interest expenses from assets and interest income from liabilities are reported separately.

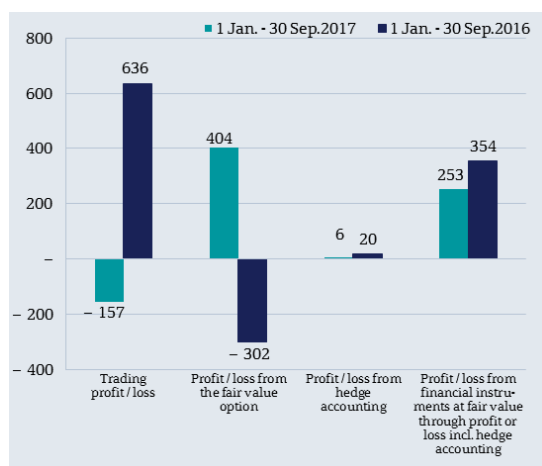
Due to persistently low interest rates on the money and capital markets coupled with a decline in average holdings, **net interest income** fell by € 292 million year-on-year. This downturn was reinforced by the sale during the reporting period of holdings of promissory notes with higher interest rates. The decrease in interest income of € 472 million has a greater impact on profit/loss than the reduction in interest expenses of € 180 million. On the earnings side, the decrease was particularly pronounced in interest income from lending and money market transactions as well as interest income from financial instruments at fair value through profit and loss. Interest income from the amortisation of hedge accounting derivatives and from the balancing item for underlying transactions decreased by € 108 million year-on-year. The expense side was also characterised by a decline in interest expenses in the lending and money market business as well as a reduction in interest expenses for secu-

ritised liabilities. However, interest expenses for subordinated liabilities increased slightly.

Expenses from **loan loss provisions** decreased significantly by € 968 million year-on-year. This effect was primarily attributable to the € 1,025 million decrease in net allocations and reversals of specific valuation allowances compared to the same period in the prior year, especially in ship finance.

**Net commission income** fell significantly year-on-year. Income of € 26 million from the transfer of the custody business to another landesbank (federal state bank) was included as a special effect in the prior year. Commission income from banking transactions fell during the reporting period as a result of lower lending fees. In addition, guarantee premiums paid for securitisations rose by € 11 million year-on-year, thereby increasing expense.

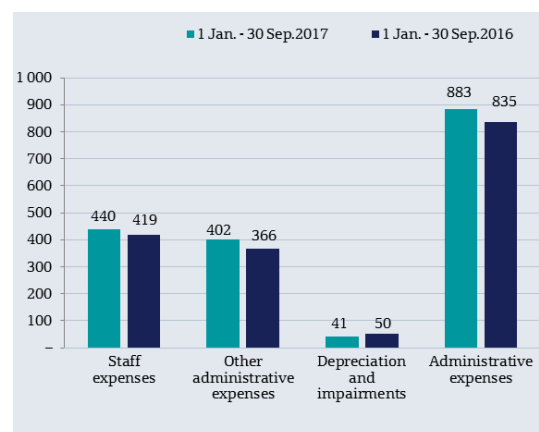
**Profit/loss from financial instruments at fair value through profit or loss including hedge accounting** fell by €101 million year-on-year. This effect was mainly attributable to decreased trading profit/loss compared with the same period in the prior year, which was partially offset by the profit/loss from the fair value option. The trading profit/loss was impacted by the negative trend of realised profit/loss and valuation gains/losses from debentures and promissory notes, as well as the negative result from interest rate derivatives due to the rise in EUR interest rates compared with the previous year. The negative result from currency derivatives was due mainly to the narrowing of the EUR/USD basis spread, and it was largely offset by the positive foreign exchange result. The change to counterparty-specific and own default risk (CVA/DVA) shows a positive contribution to profit/loss of €80 million. The positive trend on the equity markets since the start of 2017 led to a positive trading profit/loss from equity derivatives. Interest-induced effects in particular had a marked impact on the profit/loss from the fair value option for the holding of structured issues (liabilities), yielding a positive contribution to profit/loss.



**Profit/loss from financial assets** amounted to €133 million, representing a year-on-year increase of €72 million. This item mainly comprises profit/loss from the sale of available-for-sale (AFS) financial assets amounting to €71 million and from the sale of investments amounting to €45 million.

**Profit/loss from investments accounted for using the equity method** was weighed on significantly by unplanned amortisation and depreciation in the prior year. In the current reporting period, the positive result was due in equal measure to the disposal of associates accounted for using the equity method and the proportionate profit/loss from investments accounted for using the equity method.

**Administrative expenses** rose by €48 million year-on-year. Staff expenses saw a slight increase of €21 million. Other administrative expenses reported a higher increase (€36 million). This effect was largely due to the increase of €28 million in appraiser and consulting expenses and the increase of €7 million in service expenditure for IT in connection with the ongoing development of the IT roadmap. Administrative expenses include expenditure of €17 million in connection with the landesbanks' security reserves and the ECB provision, which are already included in the profit/loss in the amount of the annual contribution.



**Other operating profit/loss** rose by €419 million year-on-year. Other operating income increased by €350 million, while other operating expenses fell by €69 million. Almost the entire contribution to this earnings performance came from the disposal of receivables from the sale of promissory notes, which had an increased positive effect of €446 million. The negative effect caused by the repurchase of issued liabilities was reduced by €74 million year-on-year. Expenses in connection with the EU Single Resolution Fund had already been recognised during the year in the amount of

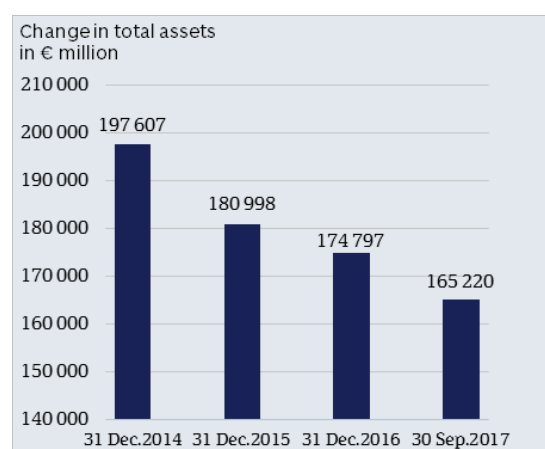
the expected annual contribution; they were € 53 million during the reporting period.

**Reorganisation expense** denotes measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group. The reorganisation requirements are related to the merger of Bremer Landesbank and

### Assets and financial position

	30 Sep.2017 (in € million)	31 Dec.2016 <sup>1)</sup> (in € million)	Change (in %)
Loans and advances to banks	28 045	21 747	29
Loans and advances to customers	97 643	105 640	- 8
Risk provisioning	- 4 059	- 3 797	7
Financial assets at fair value through profit or loss	10 445	12 526	- 17
Positive fair values from hedge accounting derivatives	1 540	2 327	- 34
Financial assets	27 836	31 574	- 12
Investments accounted for using the equity method	198	285	- 31
Other assets	3 572	4 495	- 21
<b>Total assets</b>	<b>165 220</b>	<b>174 797</b>	<b>- 5</b>
Liabilities to banks	44 886	49 241	- 9
Liabilities to customers	56 920	57 301	- 1
Securitised liabilities	33 649	35 815	- 6
Financial liabilities at fair value through profit or loss	13 208	15 056	- 12
Negative fair values from hedge accounting derivatives	2 119	2 945	- 28
Provisions	2 653	2 753	- 4
Other liabilities	1 710	1 661	3
Subordinated capital	3 780	3 984	- 5
Reported equity including non-controlling interests	6 295	6 041	4
<b>Total liabilities and equity</b>	<b>165 220</b>	<b>174 797</b>	<b>- 5</b>

Total assets continue to trend downwards.



The increase in the **Loans and advances to banks** position was due principally to the increase in current receivables from money market transactions involving German banks, including scheduled overnight deposits with the German Federal Bank. Other

NORD/LB. The figure amounting to a total of € 49 million comprises expenses from the allocation to reorganisation provisions, relating to staff costs.

Expense on **income taxes** of € 98 million corresponds to anticipated tax expenditure, taking account of the profit/loss for the current year.

loans and advances continued to trend downwards as a result of the reduction in the portfolio of promissory notes and cash provided as collateral.

As in the prior year, **Loans and advances to customers** continued to be the most significant balance sheet item and remained unchanged at 59 per cent of the total (60 per cent). This item fell by € 7 997 million year-on-year, due mainly to the decrease in ship financing and receivables from public-sector promissory notes.

Taking account of the assets held for sale recognised in the balance sheet in accordance with IFRS 5, the **loan loss provisions** fell from € 4 508 million to € 4 174 million. In continuation of the conservative risk policy, specific valuation allowances (netted against reversals) amounting to € 598 million were added (prior year: € 1 623 million). The decline in specific valuation allowances was caused by the gradual reduction of the shipping portfolio.

**Financial assets at fair value through profit or loss**, including trading assets and financial assets as at fair value through profit or loss, decreased by € 2 081 million year-on-year. In particular, this decline was due to valuation and volume effects which were also mirrored on the liabilities side.

Due to maturing liabilities and repayments in connection with securities in the LaR and AfS categories, the holding of **financial assets** decreased by € 3 738 million as compared to the prior period.

**Assets held for sale** diminished by € 323 million to € 98 million (€ 421 million) due to sale or a decision not to dispose of the assets in question. In addition to a net portfolio of loans and advances from the Ship Customers segment (€ 83 million), this position also includes the assets of two fully consolidated shipping companies (€ 15 million).

Of the reduction of € 923 million in **other assets**, € 599 million was caused by the reduction in the cash reserve due to the reporting date.

**Liabilities to banks** fell significantly by € 4 355 million year-on-year. The reduction in the funding requirement corresponding to the downturn in assets was especially apparent in the decrease of € 6 272 million in liabilities resulting from money market transactions. However, deposits from other banks and other liabilities including cash provided as collateral increased somewhat.

**Liabilities to customers** decreased slightly year-on-year. In particular, this decline was the result of a smaller portfolio of money market transactions.

As regards **securitised liabilities**, new issues of Pfandbriefe and municipal debentures in the first three quarters (€ 8 816 million in nominal terms) were overcompensated by repayments, so an overall downturn of € 2 166 million was posted.

**Financial liabilities at fair value through profit or loss** consist of trading liabilities and financial liabilities designated at fair value. Year-on-year, the resultant decrease of € 1 848 million was based on

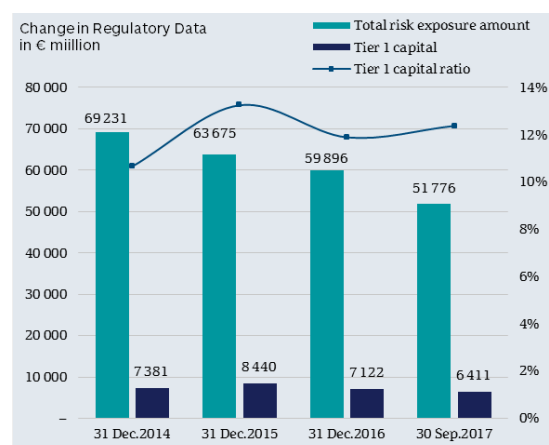
valuation and volume effects, as was the case on the assets side.

**Provisions** fell by € 100 million year-on-year. Provisions for defined benefit pension plans trended downwards due to the increase in the actuarial interest rate (-€ 113 million). A reduction in provisions for uncertain liabilities (-€ 72 million) can also be reported. Additional provisions for reorganisation measures amounting to € 49 million were formed in connection with progress in planning the One Bank project.

The increase of € 49 million in **other liabilities** was due to the counterpart formed for false forward transactions in securities (€ 305 million) (spot currency transactions with settlement periods in excess of normal commercial practice). This was offset by -€ 248 million for the reduction in the balancing items for financial instruments hedged in the fair value hedge portfolio.

**Subordinated capital** fell by € 204 million to € 3 780 million. In addition to repayments of a silent participation (€ 76 million) and participatory capital (€ 43 million), there were exchange-rate effects of -€ 90 million.

The increase of € 254 million in **reported equity**, bringing the figure to € 6 295 million, was explained primarily by the prorated profit/loss for the first three quarters of 2017.



## Overall assessment

Following a financial year with a significantly high risk provisioning expense, the net assets, financial position and financial performance of the NORD/LB Group in the past nine months of the

reporting year may be assessed as satisfactory. Although the market environment remained challenging, earnings before taxes of 326 Mio € were generated.



## Forecast, opportunities and risk report

27	General economic development
29	Extended risk report
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## General economic development

### Global economic outlook

The US economy looks set to remain on a solid growth trajectory for the time being, with real gross domestic product expected to rise by more than 2 per cent for the year as a whole. In the eurozone, the vigorous economic upturn will be maintained in the coming quarters, and momentum is only likely to slacken slightly in 2018. Throughout the single-currency area, the inflation rate will (to some degree) remain (at times significantly) below the European Central Bank's inflation target until 2019.

### Economic forecast for Germany and the eurozone

The German economy stayed on course during the summer. The third quarter saw GDP growth maintaining a similar level to that seen in the first half of the year, and there are currently no signs that momentum is flagging. The recent vigorous upturn in industrial production is following the clear upward trend in orders received. Sentiment among German enterprises also continues to be euphoric. The Ifo business climate index reached a new high of 116.7. General economic growth is set to outperform the potential trajectory for the time being. Exports and investments are showing strong expansion. Given the sustained high level of consumer confidence and the highly positive trend on the labour market, private consumption will continue to be a major cornerstone of growth. NORD/LB has raised its economic forecast to 2.2 per cent this year and 2.4 per cent in 2018.

The macroeconomic outlook for the eurozone has improved further. Order books are in good shape and numbers from survey-based sentiment indicators are very positive up to now, so the vigorous upswing can be expected to continue. Confidence among industrial enterprises and service providers has become even more pronounced, and the same is true of optimism among consumers. The fact that the unemployment rate dropped to 8.9 per cent in September – its lowest level since the start of 2009 – accords with this bright economic picture. In 2017, NORD/LB anticipates real economic growth of 2.3 per cent year-on-year, fol-

lowed by 2.2 per cent next year. Monetary policy remains very expansionary, making for a favourable monetary environment. Downside risks for the forecast include geopolitical conflicts, the direction of the US government's foreign and economic policy, the difficult negotiations on the United Kingdom's exit from the European Union (Brexit), the Catalanian conflict and the Italian elections due in spring.

### Financial market development and interest rate forecast

After a pause in September, it looks likely that the Fed (Federal Reserve) will raise key rates in the US during December. However, the return to a more neutral stance will be unhurried. By contrast, the ECB will continue its very expansive monetary policy as regards both key rates and asset purchase programmes. A decision has already been taken to halve the monthly volume purchased under the expanded asset purchase programme (EAPP) from 2018 onwards, but a continuation of net purchases must be expected until at least the end of 2018. For the time being, the ECB's markedly cautious approach is still curbing interest rate increases. A level of 0.50 per cent appears realistic for ten-year Bunds by the end of 2017, to be followed by a moderate upward trend. As regards the USD exchange rate, NORD/LB forecasts a rate of USD 1.14 per EUR based on a twelve-month horizon. In the short to medium term, NORD/LB expects EUR/USD basis swap spreads to widen again slightly to levels of around -40 basis points, with a flat maturity curve.

### Banking market development

Ongoing credit risks in the European banking market (even if they are diminishing in most countries) will entail further balance sheet restatements and possible capital measures to ensure sustainable improvements.

Regulatory requirements will continue to increase. In particular, these include the provisions to ensure compliance with the liquidity and funding ratios (Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)) and the require-

ments regarding the maintenance of bail-in eligible balance sheet liabilities and associated additional regulatory ratios (including the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) and, for global systemically important banks, Total Loss Absorbing Capacity (TLAC)).

The new Supervisory Review and Evaluation Process (SREP) may lead to stricter capital adequacy requirements. Although European banks have already taken major steps towards stabilisation, the sustainability of these measures was reviewed again in the European Banking Authority's recent stress tests.

### Shipping

The International Monetary Fund (IMF) made some slight upward adjustments to its forecasts for global economic development in mid-October. Overall conditions have improved slightly, both for the current year and for 2018, so GDP growth of 3.6 per cent is anticipated for 2017 and the expected figure for 2018 is 3.7 per cent. Although the current year has seen some isolated improvements, the situation for shipping is set to remain challenging in the coming months. In the container sector, the first signs of a slowdown are already seen at the beginning of the winter season. Freight and charter rates decreased slightly. Apart from that deliveries will increase in 2018 because the order book is still well filled. For the time being, therefore, cascade effects and competitive pressure will continue to prevail in this sector. In contrast to the container sector, the bulker sector has already seen a significant downturn in its order book. The impact of this disciplined approach to order placement will become more apparent from 2018 onwards. The combination of low fleet growth and the emergence of an upturn in demand are generating positive sentiment in the bulker sector. China continues to be the decisive factor in this sector, supported by continuing economic growth and additional impetus from global infrastructure projects. In the final quarter of the year and for the year as a whole, the large number of newly built ships is the dominant feature on the tanker market. In overall terms, 2017 will see new tonnage exceeding the 40 million dwt

mark for the first time since 2011. For next year, the order book adds up to a further 35 million dwt, in approximate terms. Demolitions in the tanker sector have risen during the year as compared to the figures for container vessels and bulker, but even if scrapping activities increase again as compared to 2017, fleet growth can only experience a moderate downturn. As regards demand, no more than the usual seasonal impetus is expected, so the tanker market will continue to be confronted with challenges in the coming months.

### Aircraft

For 2017, IATA is expecting growth in global passenger traffic (RPK) of 7.4 per cent, which is above the average growth over the past ten years of 5.7 per cent. In contrast, IATA is forecasting that global airlines will post lower net profits of USD 31.4 billion in 2017 (2016: USD 34.8 billion). IATA attributes the decline in expected earnings – despite above-average growth of air traffic – to a higher cost basis (including personnel costs) as well as persistently falling yields (2017F: -2 per cent). The highest growth in traffic (RPK) is predicted for the Asia/Pacific region (10.4 per cent).

Thus far IATA expects demand for air cargo volume (FTK) to increase by 7.5 per cent, given that global trade is picking up and online trading is prospering. Current indicators, such as global purchasing managers' indices, point to ongoing growth for air freight in the near future.

### Real Estate

The global commercial property market continues to be attractive to investors, even though market events could be impacted by political uncertainties (such as the direction of US policy or the Brexit negotiations). Global commercial transaction volume for 2017 is expected to reach about USD 650 billion (2016 financial year: USD 661 billion). Given that interest rate levels are low and economic indicators are robust, the German real estate market can expect commercial transaction volume to range between € 50 and 55 billion in 2017 (financial year 2016: € 53 billion).

## Extended risk report

### Risk bearing capacity

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

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

With respect to the presentation of results, the risk potential from the material risk types will henceforth be compared with the available risk capital in the primary management approach (business case), taking account of a confidence level of 99.9 per cent (previously: 95.0 per cent).

Regulatory equity provides the starting point for determining the risk capital. At NORD/LB, the available risk capital is calculated in the context of the enhanced model approach subject to the following condition: if the risk limit is fully utilised by the economic risk potential, regulatory capital requirements as well as internal requirements will be met.

Utilisation of available risk capital by risk potential in the business case improved slightly as compared to the reference date, and was 66 per cent as at the reporting date (70 per cent). This is mainly due to the decrease in risk potential from credit risks. The reduced credit risk is largely attributable from defaults and portfolio reductions in the Ship customers segment.

Risk-bearing capacity (in € million)	30 Sep.2017		31 Dec.2016 <sup>1)</sup>	
	Value	Utilisation	Value	Utilisation
<b>Risk capital<sup>1)</sup></b>	<b>5 442</b>	<b>100%</b>	<b>5 712</b>	<b>100%</b>
Credit risk	1 861	34%	2 567	45%
Market-price risk	1 114	20%	914	16%
Liquidity risk	311	6%	234	4%
Operational risk	313	6%	275	5%
Other	–	0%	0	0%
<b>Total risk potential</b>	<b>3 598</b>	<b>–</b>	<b>3 990</b>	<b>0</b>
<b>Risk capital utilisation</b>	<b>–</b>	<b>66%</b>	<b>0</b>	<b>70%</b>

<sup>1)</sup> The previous year's figures were adjusted retrospectively to the new RACE model.

In all cases, the requirements of the Group risk strategy for maximum permissible limit utilisation at the level of material risk types were also met as at the current reporting date. Of the various material risk types (counterparty, market-price, liquidity and operational risks), counterparty risks continued to account for the largest share of total risk potential.

### Credit risk

Credit risk comprises credit risk and investment risk. The developments as regards credit risk are shown below.

The maximum default risk amount for on-balance sheet and off-balance sheet financial instruments decreased in the first nine months of 2017. This is due in particular to loans and advances to customers, financial assets at fair value through profit and loss, and financial assets.

<b>Risk-bearing financial instruments</b>	Maximum default risk 30 Sep.2017	Maximum default risk 31 Dec.2016
(in € million)		
Loans and advances to banks	28 044	21 746
Loans and advances to customers	93 585	101 844
Adjustment item for financial instruments hedged in the fair value hedge portfolio	41	130
Financial assets at fair value through profit or loss	10 445	12 526
Positive fair values from hedge accounting derivatives	1 540	2 327
Financial assets	27 836	31 574
<b>Sub-total</b>	<b>161 491</b>	<b>170 147</b>
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	13 285	14 579
<b>Total</b>	<b>174 776</b>	<b>184 726</b>

The total exposure of the NORDB/LB Group was € 186 billion (€ 195 billion). Thus far, the quality of the NORDB/LB Group's loan portfolio has not changed in 2017. The share of non-performing loans as at the reporting date was 5.4 per cent (5,5 per cent). The Rating Structure table shows the breakdown of the total exposure in the NORDB/LB

Group by rating class and product type. The share of items in the "Very good to good" rating class remained at the high level of 78 per cent as at the reporting date (76 per cent). This is largely explained by the importance of business conducted with financing institutions and public authorities; it also reflects the NORDB/LB Group's risk policy.

<b>Rating structure<sup>1)2)</sup></b>	Loans	Securities <sup>3)</sup>	Derivates <sup>4)</sup>	Other <sup>5)</sup>	Total exposure	Total exposure <sup>6)</sup>
(in € million)	30 Sep.2017	30 Sep.2017	30 Sep.2017	30 Sep.2017	30 Sep.2017	31 Dec.2016
very good to good	93 798	27 438	7 433	16 681	145 350	147 600
good / satisfactory	13 651	767	394	1 398	16 210	16 583
reasonable / satisfactory	5 703	183	108	919	6 914	8 740
increased risk	2 963	142	66	403	3 574	5 319
high risk	988	26	8	188	1 209	1 754
very high risk	2 643	2	19	76	2 740	4 104
default (= NPL)	9 966	–	54	44	10 064	10 700
<b>Total</b>	<b>129 713</b>	<b>28 558</b>	<b>8 082</b>	<b>19 708</b>	<b>186 060</b>	<b>194 801</b>

<sup>1)</sup> The ratings are assigned on the basis of the initiative for Germany as a financial location (IFD) rating classes.

<sup>2)</sup> Differences in totals are rounding differences.

<sup>3)</sup> Includes the securities holdings of third-party issues (only banking book).

<sup>4)</sup> Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.

<sup>5)</sup> Includes other products such as pass-through and administered loans.

<sup>6)</sup> The previous year's figures were adjusted by € 96 million, which were not included in the previous publication.

The breakdown of total credit exposure by industry shows that business conducted with financing institutions and public authorities taken together

accounts for 51 per cent (adjusted figure for the prior year: 50 per cent), which still constitutes a significant share of total exposure.

<b>Industries<sup>1)2)</sup></b>	<b>Loans</b>	<b>Securities<sup>3)</sup></b>	<b>Derivatives<sup>4)</sup></b>	<b>Other<sup>5)</sup></b>	<b>Total exposure</b>	<b>Total exposure<sup>6)</sup></b>
(in € million)	30 Sep.2017	30 Sep.2017	30 Sep.2017	30 Sep.2017	30 Sep.2017	31 Dec.2016
Financing institutes / insurance companies	36 714	13 677	3 557	8 768	62 716	58 888
Service industries / other	53 206	13 173	1 567	1 808	69 754	75 817
– Of which: Land, housing	18 891	4	430	435	19 760	19 489
– Of which: Public administration	17 706	12 889	536	189	31 320	37 574
Transport / communications	17 617	429	651	362	19 059	24 173
– Of which: Shipping	13 078	–	51	106	13 234	16 703
– Of which: Aviation	1 904	–	8	–	1 912	2 986
Manufacturing industry	5 524	562	946	379	7 411	8 263
Energy, water and mining	10 397	613	864	6 734	18 607	19 014
Trade, maintenance and repairs	4 026	64	378	272	4 741	4 773
Agriculture, forestry and fishing	776	–	6	1 363	2 145	2 111
Construction	1 454	40	112	21	1 626	1 762
<b>Total</b>	<b>129 713</b>	<b>28 558</b>	<b>8 082</b>	<b>19 708</b>	<b>186 060</b>	<b>194 801</b>

<sup>1)</sup> The figures are reported, as in the internal reports, by economic criteria.

<sup>2) to 5)</sup> 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 (80 per cent) of total ex-

posure and remains by far the most important business region for the NORD/LB Group. Germany's share is 66 per cent (64 per cent).

<b>Regions<sup>1)2)</sup></b>	<b>Loans</b>	<b>Securities<sup>3)</sup></b>	<b>Derivatives<sup>4)</sup></b>	<b>Other<sup>5)</sup></b>	<b>Total exposure</b>	<b>Total exposure<sup>6)</sup></b>
(in € million)	30 Sep.2017	30 Sep.2017	30 Sep.2017	30 Sep.2017	30 Sep.2017	31 Dec.2016
Euro countries	104 555	22 449	4 428	19 540	150 973	155 711
– Of which: Germany	87 069	14 749	2 995	18 701	123 514	125 575
Other Europe	11 551	2 516	2 597	118	16 783	16 703
North America	6 270	2 779	504	13	9 566	11 575
Middle and South America	2 386	67	44	–	2 497	3 229
Middle East / Africa	622	–	5	36	664	1 094
Asia / Australia	4 328	746	503	–	5 578	6 489
<b>Total</b>	<b>129 713</b>	<b>28 558</b>	<b>8 082</b>	<b>19 708</b>	<b>186 060</b>	<b>194 801</b>

<sup>1)</sup> The figures are reported, as in the internal reports, by economic criteria.

<sup>2) to 5)</sup> please see the preceding Rating structure table.

Exposure to sovereigns, financing institutions and insurance companies as well as corporates and others in Greece, Ireland, Italy, Portugal and Spain was reduced again in the period under review and now amounts to € 5.5 billion (€ 7.0 billion). Their

share of total exposure is 3 per cent (4 per cent). The share of receivables owed by the respective countries, regional governments and municipalities is € 1.3 billion (€ 1.8 billion), still representing 1 per cent of total exposure.

<b>Exposures in selected European countries<sup>1)2)</sup></b> (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017
Sovereign Exposure	–	20	922	87	224	1 254
– Of which: CDS	–	–	–	–	–	–
Financing institutes / insurance companies	–	382	111	1	547	1 042
Corporates / Other	6	2 464	409	65	286	3 229
<b>Total</b>	<b>6</b>	<b>2 866</b>	<b>1 442</b>	<b>153</b>	<b>1 057</b>	<b>5 525</b>

<sup>1)</sup> The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.

<sup>2)</sup> Differences in totals are rounding differences.

<b>Exposures in selected European countries<sup>1)2)</sup></b> (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016
Sovereign Exposure	–	239	940	348	237	1 764
– Of which: CDS	–	217	–	199	–	416
Financing institutes / insurance companies	–	367	166	15	899	1 447
Corporates / Other	6	2 933	436	91	267	3 734
<b>Total</b>	<b>6</b>	<b>3 539</b>	<b>1 542</b>	<b>454</b>	<b>1 403</b>	<b>6 945</b>

<sup>1) to 2)</sup> please see previous table at the reporting date.

In Cyprus, the NORD/LB Group has an exposure of € 1.0 billion in the Corporates category. This primarily concerns ship exposures whose economic risk lies outside of Cyprus. The NORD/LB Group does not have sovereign exposure or exposure to financing institutions and insurance companies in Cyprus.

In Hungary, the NORD/LB Group has an exposure of € 132 million (€ 106 million: sovereign exposure, € 6 million: corporates/others, € 21 million: financing institutions and insurance companies); in Russia, it has an exposure of € 209 million

(€ 121 million: financing institutions and insurance companies, € 88 million: corporates/others). The exposures in Argentina and Ukraine are of minor significance.

The NORD/LB Group is very closely monitoring and analysing developments in the countries mentioned. At present, however, the Group does see the need for further valuation allowances here. Further details can be found in the Notes to the Interim Report, in the disclosures concerning selected European countries.

<b>Exposures in selected European countries by maturity<sup>1)2)</sup></b> (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017	30 Sep. 2017
up to 1 year	–	–	243	87	192	523
more than 1 up to 5 years	–	20	144	–	15	179
more than 5 years	–	–	535	–	17	552
<b>Total</b>	<b>–</b>	<b>20</b>	<b>922</b>	<b>87</b>	<b>224</b>	<b>1 254</b>

<sup>1)</sup> 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.

<sup>2)</sup> Differences in totals are rounding differences.



<b>Exposures in selected European countries by maturity</b> (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016	31 Dec. 2016
up to 1 year	-	-	25	100	148	273
more than 1 up to 5 years	-	239	353	248	74	913
more than 5 years	-	-	562	-	16	578
<b>Total</b>	-	<b>239</b>	<b>940</b>	<b>348</b>	<b>237</b>	<b>1 764</b>

<sup>1) to 2)</sup> please see previous table at the reporting date.

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) pursuant to the German Commercial Code (HGB), and the credit equivalent resulting from derivatives (including add-ons and in con-

#### Market price risk

Operative control of market-price risks is standardised throughout the Group on a Value-at-Risk (VaR) basis, with a confidence level of 95 per cent and a 1-day holding period. The historical simulation method is used, with scenarios based on a 1-year period. A decreased VaR of € 14 million (€ 18 million) was calculated for the NORD/LB Group as at the reporting date. With a 99 per cent confidence level and a holding period of ten days (regulatory parameters), the VaR was € 64 million (€ 95 million) as at the reporting date.

In addition to the market risks of the trading book, the key figures also include the present value of the market-price risks of the investment book, i.e. interest-rate risks in the investment book in particular. The calculation of credit spread risks for

sideration of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral provided to the NORD/LB Group is not taken into account.

Sovereign exposure also includes exposure to regional governments, municipalities and state-affiliated companies with a guarantee from the respective state.

the significant individual institutions from a risk perspective is always performed in accordance with the local accounting principles. Consequently, only trading portfolio and liquidity reserve credit spread risks are included in daily operative control for Group institutions that prepare their financial statements according to the German Commercial Code (HGB). Credit spread risks are taken into account in the resolution case scenario for risk-bearing capacity, independently of accounting treatment; this method is unchanged.

The reduction during the period under observation is mainly because risks from pension liabilities are presented on the basis of the actuarial cash flow at NORD/LB.



The VaR, which is calculated daily as an overall total of value-at-risk figures from the significant Group companies from a risk perspective (with a confidence level of 95 per cent and holding period of one day) fluctuated between € 15 million and € 33 million from the start of January to the end of

September, with an average value of € 22 million. From 1 September 2017 onwards, the figures for NORD/LB also include positions for Bremer Landesbank, which has been merged with NORD/LB. The risk types are dominated by interest rate risks, including credit-spread risks.

Market-price risks (in € million)	Maximum		Average		Minimum		End-of year risk	
	1 Jan. - 30 Sep. 2017	1 Jan. - 31 Dec. 2016	1 Jan. - 30 Sep. 2017	1 Jan. - 31 Dec. 2016	1 Jan. - 30 Sep. 2017	1 Jan. - 31 Dec. 2016	1 Jan. - 30 Sep. 2017	1 Jan. - 31 Dec. 2016
Interest-rate risk (VaR 95 %, 1 day)	33 088	36 291	21 417	28 215	13 980	21 870	13 670	20 118
Currency risk (VaR 95 %, 1 day)	4 435	2 224	3 294	1 345	2 011	841	2 661	1 600
Share-price and fund-price risk (VaR 95 %, 1 day)	2 687	3 450	1 233	2 767	217	1 429	315	1 998
Volatility risk (VaR 95 %, 1 day)	4 318	4 231	2 265	2 412	1 131	1 635	932	3 309
Other add-ons	893	132	327	87	55	58	362	56
<b>Total</b>	<b>32 902</b>	<b>32 269</b>	<b>22 122</b>	<b>26 398</b>	<b>14 784</b>	<b>21 313</b>	<b>14 342</b>	<b>18 264</b>

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

There was a reduction in the number of backtesting exceptions in the NORD/LB AöR during the reporting period. The remaining exceptions are due mainly to market effects.

VaR in the risk-bearing capacity business case (confidence level: 99.9 per cent, holding period: 250 days) had risen to € 1 114 million as at the

reporting date (€ 914 million). This increase is due to the extension of the observation period for historical simulation until 1 January 2008. This change to the method ensures adequate presentation of the risks arising from pension liabilities within the specified parameters for risk-bearing capacity.

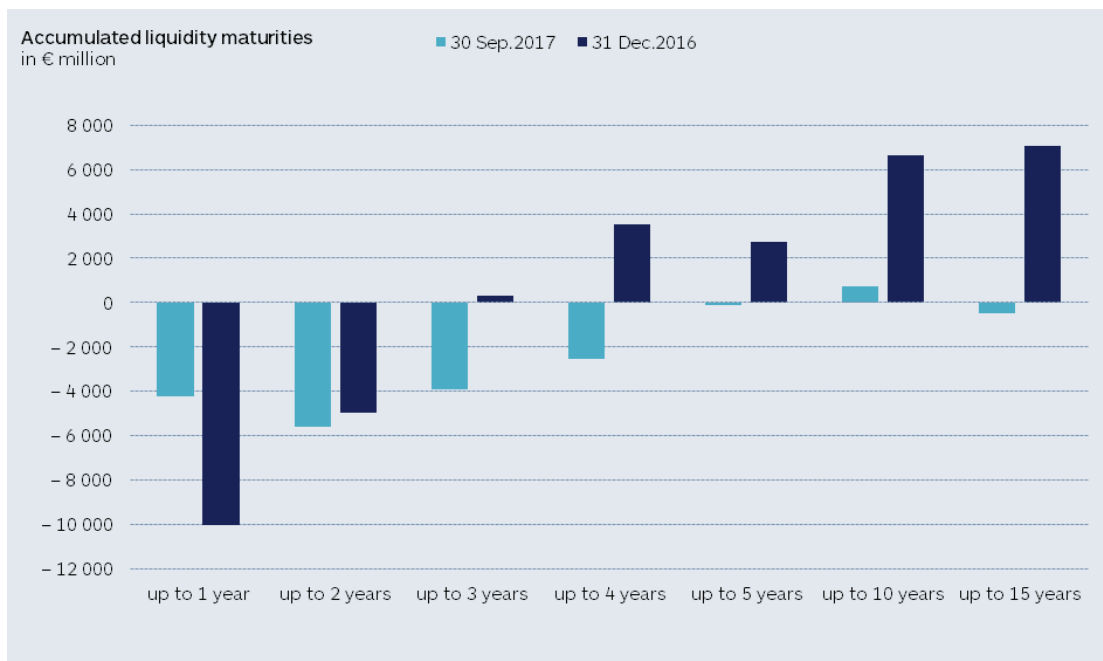
### Liquidity risk

The liquidity situation on the markets eased further during the reporting period, in particular as a result of measures implemented by the European Central Bank. For NORD/LB, the ongoing shipping crisis remains a focus and has long been included in its stress scenarios. The NORD/LB Group continues to have adequate liquidity at its disposal, with no changes in this regard. Following the rating downgrade in April this year, the Moody's Investors Service rating agency reduced NORD/LB's long-term issuer rating to Baa3 on 30 June 2017. For funding purposes, NORD/LB is currently increasing its use of collateralised funding.

The internal liquidity stress scenario that is relevant for management purposes was directly aggravated by the downgrade. Due to special effects at the end of the quarter, the scenario as at the reporting date showed the traffic light at amber, although it returned to the green range a few days after the end of the quarter. The liquidity buffers were maintained for one week and one month, in accordance with the Minimum Requirements for Risk Management (MaRisk).

As at the reporting date, the cumulative liquidity maturity balance sheet of the NORD/LB Group shows lower liquidity surpluses, or liquidity gaps instead of liquidity surpluses in all areas as compared to the end of the previous year. This is largely due to the change in the presentation of equity in the liquidity maturity balance sheet. The outflow is no longer modelled as a held-to-maturity position in the last maturity band, but rather as a rolling position in accordance with the structural funding needs of the NORD/LB Group. The liquidity gaps are all within the limits derived from the risk-bearing capacity model. At NORD/LB Group level, the limits were respected as at the reporting date, both when taking all currencies into account and when taking the key individual currencies into account.

In addition, the NORD/LB Group operates in markets that are as liquid as possible and maintains a portfolio of high-quality securities. As at the reporting date, the companies that are significant from a risk perspective have securities with a volume of € 34 billion (€ 39 billion), of which 83 per cent (82 per cent) were suitable for repo transactions with the European Central Bank and the US Federal Reserve (Fed).



The Liquidity Coverage Ratio (LCR) amounted to 185.8 per cent as at the reporting date (110.3 per

cent). The liquidity ratio pursuant to the Liquidity Regulation (LiqV) in the reporting period was

always significantly higher than the regulatory minimum of 1.00.

Since September 2017, all liquidity indicators at the level of NORD/LB AöR as a single institution

also include transactions by the former Bremer Landesbank.

Liquidity ratio in accordance with the LiqV <sup>1)</sup>	30 Sep.2017	31 Dec.2016
NORD/LB	2,48 <sup>2)</sup>	1,91
Bremer Landesbank	–	2,65
Deutsche Hypo	2,31	1,98

<sup>1)</sup> There are no legal requirements that oblige NORD/LB Luxembourg to calculate a comparable key figure.

<sup>2)</sup> At the reporting date the value of NORD/LB includes cash and cash equivalents and obligations of the Bremer Landesbank due to the fusion.

### Operational Risk

Continuous development and optimisation of the instruments used takes place under the auspices of integrated OpRisk management. As at the reporting date, there were no legal risks that jeop-

ardised the 'going-concern' status. Provisions were formed to cover legal risks related to processing fees in the commercial segment.

## Overall assessment

The first three quarters of 2017 passed off satisfactorily for the NORD/LB Group. However, it is not possible to scale up the profit/loss figures for the first three quarters to the entire year, because the economic environment remains challenging due to the period of persistently low interest rates and the situation on the shipping markets, among other factors. The impact on risk provisioning from the shipping crisis continues to be forecast at an elevated level, although partial compensation is anticipated due to easing of the risk situation in some of the Bank's other business areas. In addition, the completed merger with Bremer Landesbank still entails some major challenges in terms of practical implementation.

Earnings based on the proven, customer-oriented business model with highly diversified sources of income are slightly higher than the previous year's figures, and will therefore come in somewhat above plan. To a large extent, this development is based on the reduction of the shipping portfolio and on unanticipated earnings under other operating profit/loss.

The NORD/LB Group forecasts that risk provisioning will be worse than planned, but better than in the previous year. Once again, it will primarily be impacted by the shipping portfolio. The profit/loss from financial assets is expected to be significantly better in the 2017 forecast than in the projection.

Administrative expenses are forecast as moderately above the envisaged budgets; this is mainly a project-induced effect due to material expenses.

Based on these developments, the NORD/LB Group currently anticipates that it will generate a positive result in 2017 and will achieve the Group's planned earnings before taxes. CIR and RoE will trend accordingly.

The total risk exposure (risk-weighted assets, or RWA), based on the current assessment in the

updated forecast, is significantly below the planned level, mainly as a result of restrained new business, exchange rate effects and reductions in the shipping portfolio. Planning of NORD/LB's total risk exposure amount and regulatory equity for 2017 takes account of all relevant requirements for the regulatory capital base as derived from EU Regulation No. 575/2013 on Regulatory Requirements for Banks and Securities Firms (CRR), including transitional provisions. These statutory regulations, including capital buffers that must be provided and other mandatory requirements imposed by the banking supervisor with respect to regulatory equity are met in full and on an ongoing basis in the plan and also in the current NORD/LB Group forecast for 2017. A securitisation transaction is planned in 2017 to further strengthen the capital ratios.

The NORD/LB Group may see opportunities as the result of a more marked improvement in the economy, the departure of competitors from the market, an expansion of the Group's good market position in established areas and positive valuation effects from key results, which would likely have a positive impact on the Bank's results due to increased revenue and lower risk provisioning.

On the other hand, potential risks could arise from political or economic developments, the impact of Brexit, terrorist attacks, geopolitical tensions as well as regulatory requirements such as the results of stress tests and the implementation of the IFRS 9 standard. In many markets, competitive pressure is increasing, with effects on margins and new business. Moreover, Group earnings could be negatively impacted by a number of factors including developments in the shipping markets, the sustained low interest rate phase and – given this year's rating changes – the possible end of the unrestricted availability of long-term uncovered funding.



## Interim Consolidated Financial Statements as at 30. September 2017

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## Income Statement

	Notes	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 <sup>1)</sup> (in € million)	Change (in %)
Interest income from assets		4 989	5 487	- 9
Interest expenses from assets		50	15	> 100
Interest expenses from liabilities		3 932	4 147	- 5
Interest income from liabilities		58	32	81
<b>Net interest income</b>	5	<b>1 065</b>	<b>1 357</b>	<b>- 22</b>
Loan loss provisions	6	683	1 651	- 59
Commission income		195	259	- 25
Commission expenses		106	95	12
<b>Net commission income</b>	7	<b>89</b>	<b>164</b>	<b>- 46</b>
Trading profit / loss		- 157	636	> 100
Profit / loss from the fair value option		404	- 302	> 100
<b>Profit / loss from financial instruments at fair value through profit or loss</b>	8	<b>247</b>	<b>334</b>	<b>- 26</b>
Profit / loss from hedge accounting	9	6	20	- 70
Profit / loss from financial assets	10	133	61	> 100
Profit / loss from investments accounted for using the equity method		29	- 18	> 100
Administrative expenses	11	883	835	6
Other operating profit / loss	12	372	- 47	> 100
<b>Earnings before reorganisation and taxes</b>		<b>375</b>	<b>- 615</b>	<b>&gt; 100</b>
Reorganisation expenses	13	49	9	> 100
<b>Earnings before taxes</b>		<b>326</b>	<b>- 624</b>	<b>&gt; 100</b>
Income taxes	14	98	112	- 13
<b>Consolidated profit</b>		<b>228</b>	<b>- 736</b>	<b>&gt; 100</b>
of which: attributable to the owners of NORD/LB		183	- 471	
of which: attributable to non-controlling interests		45	- 265	

<sup>1)</sup> The previous year's figures were restated; to clarify net interest income, interest expenses from assets and interest income from liabilities were reported separately.



## Income Statement - Quarterly Overview

(in € million)	2017			2016		
	3rd Quarter	2nd Quarter	1st Quarter	3rd Quarter <sup>1)</sup>	2nd Quarter <sup>1)</sup>	1st Quarter <sup>1)</sup>
Interest income from assets	1 609	1 645	1 735	1 800	1 756	1 931
Interest expenses from assets	21	17	12	4	5	6
Interest expenses from liabilities	1 274	1 317	1 341	1 381	1 291	1 475
Interest income from liabilities	20	14	24	13	10	9
<b>Net interest income</b>	<b>334</b>	<b>325</b>	<b>406</b>	<b>428</b>	<b>470</b>	<b>459</b>
Loan loss provisions	237	320	126	648	568	435
Commission income	57	63	75	81	93	85
Commission expenses	36	38	32	34	30	31
<b>Net commission income</b>	<b>21</b>	<b>25</b>	<b>43</b>	<b>47</b>	<b>63</b>	<b>54</b>
Trading profit / loss	22	- 25	- 154	99	150	387
Profit / loss from the fair value option	74	102	228	- 54	- 115	- 133
<b>Profit / loss from financial instruments at fair value through profit or loss</b>	<b>96</b>	<b>77</b>	<b>74</b>	<b>45</b>	<b>35</b>	<b>254</b>
Profit / loss from hedge accounting	- 7	13	-	32	- 13	1
Profit / loss from financial assets	67	15	51	- 10	64	7
Profit / loss from investments accounted for using the equity method	2	24	3	- 11	-	- 7
Administrative expenses	282	283	318	263	275	297
Other operating profit / loss	- 32	279	125	121	- 32	- 136
<b>Earnings before reorganisation and taxes</b>	<b>- 38</b>	<b>155</b>	<b>258</b>	<b>- 259</b>	<b>- 256</b>	<b>- 100</b>
Reorganisation expenses	45	1	3	1	1	7
<b>Earnings before taxes</b>	<b>- 83</b>	<b>154</b>	<b>255</b>	<b>- 260</b>	<b>- 257</b>	<b>- 107</b>
Income taxes	- 40	97	41	70	56	- 14
<b>Consolidated profit</b>	<b>- 43</b>	<b>57</b>	<b>214</b>	<b>- 330</b>	<b>- 313</b>	<b>- 93</b>
of which: attributable to the owners of NORD/LB	- 50	2	231	- 208	- 188	- 75
of which: attributable to non-controlling interests	7	55	- 17	- 122	- 125	- 18

<sup>1)</sup> The previous year's figures were restated; to clarify net interest income, interest expenses from assets and interest income from liabilities were reported separately.

## Statement of Comprehensive Income

The statement of comprehensive income for the period under review is comprised of the income and expenses recognised in the income statement and in other comprehensive income (OCI).

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Consolidated profit</b>	<b>228</b>	<b>- 736</b>	<b>&gt; 100</b>
<b>Other comprehensive income which is not recycled in the income statement in subsequent periods</b>			
Revaluation of the net liability from defined benefit pension plans	158	- 481	> 100
Investments accounted for using the equity method – Share of other operating profit / loss	5	- 5	> 100
Deferred taxes	- 50	154	> 100
	<b>113</b>	<b>- 332</b>	<b>&gt; 100</b>
<b>Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions</b>			
Increase / decrease from available for sale (AFS) financial instruments			
Unrealised profit / losses	- 134	148	> 100
Transfer due to realisation profit / loss	40	36	11
Translation differences of foreign business units			
Unrealised profit / losses	- 1	- 95	- 99
Investments accounted for using the equity method – Share of other operating profit / loss	- 17	42	> 100
Deferred taxes	28	- 20	> 100
	<b>- 84</b>	<b>111</b>	<b>&gt; 100</b>
<b>Other profit / loss</b>	<b>29</b>	<b>- 221</b>	<b>&gt; 100</b>
<b>Comprehensive income for the period under review</b>	<b>257</b>	<b>- 957</b>	<b>&gt; 100</b>
of which: attributable to the owners of NORD/LB	207	- 675	
of which: attributable to non-controlling interests	50	- 282	

## Statement of Comprehensive Income - Quarterly Overview

(in € million)	2017			2016		
	3rd quarter	2nd Quarter	1st Quarter	3rd Quarter	2nd Quarter	1st Quarter
<b>Consolidated profit</b>	- 43	57	214	- 330	- 313	- 93
<b>Other comprehensive income which is not recycled in the income statement in subsequent periods</b>						
Revaluation of the net liability from defined benefit pension plans	37	44	77	- 30	- 274	- 177
Investments accounted for using the equity method – Share of other operating profit / loss	- 1	2	4	6	- 6	- 5
Deferred taxes	- 12	- 14	- 24	9	88	57
	24	32	57	- 15	- 192	- 125
<b>Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions</b>						
Increase / decrease from available for sale (AfS) financial instruments						
Unrealised profit / losses	- 15	- 22	- 97	228	- 69	- 11
Transfer due to realisation profit / loss	18	- 4	26	24	7	5
Translation differences of foreign business units						
Unrealised profit / losses	- 1	1	- 1	- 90	9	- 14
Investments accounted for using the equity method – Share of other operating profit / loss	-	- 8	- 9	10	16	16
Deferred taxes	- 10	7	31	- 44	20	4
	- 8	- 26	- 50	128	- 17	-
<b>Other profit / loss</b>	16	6	7	113	- 209	- 125
<b>Comprehensive income for the period under review</b>	- 27	63	221	- 217	- 522	- 218
of which: attributable to the owners of NORD/LB	- 36	5	238	- 97	- 382	- 196
of which: attributable to non-controlling interests	9	58	- 17	- 120	- 140	- 22

## Balance Sheet

Assets	Notes	30 Sep.2017 (in € million)	30 Sep.2016 (in € million)	Change (in %)
Cash reserve		848	1 447	- 41
Loans and advances to banks	15	28 045	21 747	29
Loans and advances to customers	16	97 643	105 640	- 8
Risk provisioning	17	- 4 059	- 3 797	7
Balancing items for financial instruments hedged in the fair value hedge portfolio		41	130	- 68
Financial assets at fair value through profit or loss	18	10 445	12 526	- 17
Positive fair values from hedge accounting derivatives		1 540	2 327	- 34
Financial assets	19	27 836	31 574	- 12
Investments accounted for using the equity method		198	285	- 31
Property and equipment	20	507	420	21
Investment property		83	84	- 1
Intangible assets	21	154	154	-
Assets held for sale	22	98	421	- 77
Current income tax assets		19	42	- 55
Deferred income taxes		653	786	- 17
Other assets		1 169	1 011	16
<b>Total assets</b>		<b>165 220</b>	<b>174 797</b>	<b>- 5</b>

<b>Liabilities</b>	Notes	30 Sep.2017 (in € million)	30 Sep.2016 (in € million)	Change (in %)
Liabilities to banks	23	44 886	49 241	- 9
Liabilities to customers	24	56 920	57 301	- 1
Securitised liabilities	25	33 649	35 815	- 6
Balancing items for financial instruments hedged in the fair value hedge portfolio		784	1 033	- 24
Financial liabilities at fair value through profit or loss	26	13 208	15 056	- 12
Negative fair values from hedge accounting derivatives		2 119	2 945	- 28
Provisions	27	2 653	2 753	- 4
Liabilities held for sale		1	19	- 95
Current income tax liabilities		76	107	- 29
Deferred income taxes		96	126	- 24
Other liabilities		753	376	> 100
Subordinated capital	28	3 780	3 984	- 5
<b>Equity</b>	<b>29</b>			
Issued capital		1 607	1 607	-
Capital reserves		3 332	3 332	-
Retained earnings		1 197	939	27
Revaluation reserve		272	375	- 27
Currency translation reserve		- 10	- 6	67
<b>Equity capital attributable to the owners of NORD/LB</b>		<b>6 398</b>	<b>6 247</b>	<b>2</b>
Additional equity		50	50	-
Equity capital attributable to non-controlling interests		- 153	- 256	- 40
		<b>6 295</b>	<b>6 041</b>	<b>4</b>
<b>Total liabilities and equity</b>		<b>165 220</b>	<b>174 797</b>	<b>- 5</b>

## Condensed Statement of Changes in Equity

	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
(in € million)									
<b>Equity as at 1 Jan.2017</b>	<b>1 607</b>	<b>3 332</b>	<b>939</b>	<b>375</b>	<b>- 6</b>	<b>6 247</b>	<b>50</b>	<b>- 256</b>	<b>6 041</b>
Comprehensive income for the period under preview	-	-	278	- 67	- 4	207	-	50	257
Changes in the basis of consolidation	-	-	- 20	- 36	-	- 56	-	53	- 3
<b>Equity as at 30 Sep.2017</b>	<b>1 607</b>	<b>3 332</b>	<b>1 197</b>	<b>272</b>	<b>- 10</b>	<b>6 398</b>	<b>50</b>	<b>- 153</b>	<b>6 295</b>
	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
(in € million)									
<b>Equity as at 1 Jan.2016</b>	<b>1 607</b>	<b>3 332</b>	<b>2 493</b>	<b>454</b>	<b>- 9</b>	<b>7 877</b>	<b>50</b>	<b>586</b>	<b>8 513</b>
Comprehensive income for the period under preview	-	-	- 739	65	- 1	- 675	-	- 282	- 957
Changes in the basis of consolidation	-	-	-	-	-	-	-	3	3
Consolidation effects	-	-	- 2	-	-	- 2	-	- 9	- 11
<b>Equity as at 30 Sep.2016</b>	<b>1 607</b>	<b>3 332</b>	<b>1 752</b>	<b>519</b>	<b>- 10</b>	<b>7 200</b>	<b>50</b>	<b>298</b>	<b>7 548</b>

## Condensed Cash Flow Statement

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Cash and cash equivalents as at 1 January</b>	<b>1 447</b>	<b>872</b>	<b>66</b>
Cash flow from operating activities	- 647	784	> 100
Cash flow from investing activities	319	- 8	> 100
Cash flow from financing activities	- 282	- 568	- 50
<b>Total cash flow</b>	<b>- 610</b>	<b>208</b>	<b>&gt; 100</b>
Effects of changes in exchange rates	11	- 7	> 100
<b>Cash and cash equivalents as at 30.9.</b>	<b>848</b>	<b>1 073</b>	<b>- 21</b>

Transactions that led to the loss of control of subsidiaries and other business units during the reporting period mainly involved loans and advances or liabilities to customers in the amount of € 216 million, the securities of a special fund in the amount of € 50 million and property and equipment in the amount of € 16 million. The Group

received remuneration of € 287 million for these transactions.

For information about the taxation of the liquidity risk at the NORD/LB Group, please see the risk report.





## Selected Notes

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## General Disclosures

### (1) Principles for the preparation of the consolidated financial statements

The interim consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg, (NORD/LB) as at 30 September 2017 were prepared based on Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that are applicable within the European Union. The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. In addition, the national provisions of the German Commercial Code (HGB) in the framework of § 315e HGB were taken into account, provided they are to be applied as at the interim reporting date. The interim consolidated financial statements are to be read in conjunction with the information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2016.

NORD/LB, as a group established under commercial law, is referred to below as the NORD/LB

### (2) Applied accounting policies

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

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

The following standards and amendments to the standards requiring mandatory application as at 1 January 2017 were applied by the NORD/LB Group for the first time during the reporting period:

Group. The interim consolidated financial statements as at 30 September 2017 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash-flow statement and selected notes. The segment reporting is included in the notes. The reporting on the type and scope of the risks arising from financial instruments pursuant to IFRS 7 is primarily carried out in the framework of the risk report, which is a component of the Group management report.

The reporting currency for the interim financial statements is the euro. All amounts are stated as rounded figures in millions of EUR (€ million) according to standard commercial practice, unless otherwise indicated. The figures for the previous year are indicated in parentheses below.

These interim consolidated financial statements were signed by the Managing Board on 21 November 2017 and approved for publication.

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

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

The application of IAS 7 has resulted in additional disclosure obligations for the consolidated financial statements of NORD/LB, which are provided in the notes to the cash-flow statement as at 31 December 2017.

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

The amendments to IAS 12 aim to clarify how certain regulations should be applied in connection with the recognition of deferred tax assets

arising from acquired debt instruments measured at fair value. In addition, it was clarified that as a rule, all deductible temporary differences should be taken together and assessed as a whole in order to determine whether sufficient taxable profit will be available for their use in the future.

Deferred taxes are already recognised in the NORD/LB consolidated financial statements in accordance with the amendments, so the amendments to IAS 12 will have no effect.

On the preparation date of the consolidated financial statements, the European Commission had still not adopted into European law the following amendments to standards that are applicable for the first time as at 1 January 2017:

#### **Improvements to IFRS (cycle 2014 – 2016) under the IASB’s annual improvement process**

Changes were made to IFRS 12 as part of the annual improvement process. These are applicable for financial years beginning on or after 1 January 2017.

The amendments clarify that the scope of IFRS 12 also applies for shares in other companies under IFRS 5; exceptions are the disclosure requirements of IFRS 12 on financial information.

The adjustments made to IFRS 12 as part of the IFRS annual improvement process (2014 – 2016 cycle) exert no influence on the interim consolidated financial statements of NORD/LB.

As permitted, the Bank has waived early application of the following standards and amendments to standards, which have been accepted into European law and are to be implemented for the NORD/LB consolidated financial statements only after 31 December 2017.

#### **IFRS 9 – Financial Instruments**

The adoption of IFRS 9 is expected to have a substantial impact on the accounting, measurement and presentation of future consolidated financial statements. The effects of IFRS 9 for the NORD/LB Group are still being evaluated. To this end, a programme has been set up whose projects are based on the phases of IFRS 9 in order to implement the necessary specialist, technical and procedural changes in due time.

Under IFRS 9 – Financial Instruments, the following regulatory areas of relevance to the NORD/LB Group will require adaptation:

#### *Classification and evaluation of financial assets and liabilities*

While classification under IAS 39 is based primarily on the type of financial asset, classification under IFRS 9 focuses on the company’s intended business purpose and the structure of the financial instrument. IFRS 9 provides for three possible business models for financial instruments: “Hold”, “Hold and sell”, and “Do not hold”. A financial instrument is also classified by what is known as the cash-flow criterion; this is used to examine the financial instrument to determine whether the contractual cash flows relate solely to principal and interest payments. Financial assets are classified and measured based on the combination of the business model and the characteristics of the cash flows.

In general, IFRS 9 provides for measurement of all financial assets at fair value. Subsequent recognition at amortised cost is permitted only if the financial instrument was assigned to a portfolio with the “Hold” business model, and if its cash flows represent solely interest and principal payments on the outstanding capital of the financial instrument at contractually defined points in time. Subsequent recognition with the fair value changes carried in other comprehensive income (OCI) is permitted only if the financial instrument was assigned to a portfolio with the “Hold and sell” business model, and if its cash flows represent solely interest and principal payments on the outstanding capital of the financial instrument at contractually defined points in time. If certain conditions are met, the financial instruments may be irrevocably designated at fair value upon initial recognition.

If the cash flows do not meet this requirement, the asset must be measured at fair value through profit and loss. Derivatives should generally be recognised at fair value through profit and loss.

Measurement methods do not change under IFRS 9.

*Financial assets – loans*

The NORD/LB Group mainly follows the “Hold” business model in its credit business. The “Do not hold” business model is applied for syndication or asset trading portfolios in the credit sector. The scope of these portfolios is small in relation to the overall loan book. The application of the “Hold and sell” business model in the lending business is only envisaged for a narrowly defined range of products.

Sub-areas of the lending business of the NORD/LB Group and the contractual components that are currently being used are still being reviewed to identify components or ancillary agreements of relevance for the classification of transactions as subject to “mandatory measurement at fair value through profit and loss”. Contract components or ancillary agreements of loans that result in cash flows which are not exclusively interest and principal repayments in accordance with IFRS 9 requirements are recorded at NORD/LB for technical purposes. To carry out continued fair-value measurements of the affected lending transactions in future, NORD/LB has decided to roll out an automated measurement application that calculates fair values at the level of individual financial instruments based on relevant cash flow and contractual data. The current status of the analysis reveals that the new IFRS 9 classification model will result in an extension of fair value measurement for the NORD/LB Group’s credit sector (albeit limited to specific segments) as compared to the classification under IAS 39. Loans that were previously measured at amortised cost under IAS 39 will therefore be subject to fair value measurement under IFRS 9. The assessment of the cash flow criterion has not yet been completed. Although the overwhelming portion of the portfolios have already been valued in a review, a final assessment as to whether some side agreements, which were mainly viewed as risk shields, would result in a fair value measurement must still be carried out. The estimate of the effects of the initial application of the classification provisions of IFRS 9 on loans therefore involves the aforementioned uncertainty.

*Financial assets – securities*

At the NORD/LB Group, all three business model versions are relevant for asset-side securities as at the date of initial application. The portfolios with a long-term investment horizon are generally allocated to the “Hold” business model. In the case of portfolios used for short and/or medium-term liquidity management, the Bank assigns them to the “Hold and sell” business model because they are actively managed and there is generally no intention to hold the securities to maturity. Portfolios intended for trading will continue to be included as before in the “Do not hold” business model.

The NORD/LB Group has also decided to measure all equity instruments at fair value through profit and loss.

Securities with debt characteristics can be measured at amortised cost in the same way as loans if they are carried in the “Hold” business model and the cash flow criterion is met at the same time. Changes to fair value relating to securities with debt characteristics must be recognised in other comprehensive income (OCI) if they are managed in the “Hold and sell” business model and if the cash flow criterion is met at the same time.

The NORD/LB Group intends to continue using the option of fair value measurement as provided for under IFRS 9.

Due to the classification and measurement requirements of IFRS 9, the NORD/LB Group will measure a portion of the securities holdings (limited to selected portfolios) recognised directly in equity under IAS 39 at amortised cost from 2018 onwards. The securities have not been definitively allocated to the business models. The Bank reserves the right to change the final allocation of the securities until the date of initial application. The actual effects are dependent on the business models and portfolios of financial assets prevailing on the effective date. The estimate of the effects of the initial application of the classification provisions of IFRS 9 on securities therefore involves the aforementioned uncertainty.

Under IFRS 9, unconsolidated investments should fundamentally be measured at fair value through profit and loss because the cash flow criterion is not met. Since the available option of fair value

measurement directly in equity is not to be exercised, changes in the value of unconsolidated investments will be recognised in the income statement when IFRS 9 is applied for the first time, instead of the current practice of recognising these changes in the available for sale (AFS) classifications in the revaluation reserve in equity under IAS 39. Upon first-time application, amounts previously recognised in the revaluation reserve due to their classification as AFS will be transferred to retained earnings.

#### *Financial liabilities*

The main change to the existing requirements concerns recognition of profit/loss from instruments in the fair value option. As a general rule, IFRS 9 stipulates that changes to the measurement of financial liabilities induced by credit ratings must be recognised directly in equity within other comprehensive income (OCI); the remaining part of the change in value will continue to be recognised in the income statement. The NORD/LB Group does not expect this new regulation to produce measurement or recognition anomalies; based on the present status of the project, therefore, fair value changes attributable to the Group's own credit risk for financial liabilities in the fair value option will always be recognised under other comprehensive income (OCI). The NORD/LB Group intends to avail itself of the right on initial application of IFRS 9 to withdraw the designation of the fair value option for a portion of the financial obligations and instead to measure these at fair value using the amortised cost.

#### *Impairment of financial assets*

IFRS 9 introduces a new impairment model which aims to provide useful decision-making information more adequately and promptly. The procedure stipulates that expected credit losses should be recognised upon initial measurement based on an expected loss (EL) model, rather than waiting until a credit event actually occurs. According to the new impairment model, those financial instruments, loan commitments and financial guarantees (provided they are not recognised in the balance sheet at fair value through profit and loss) will be subdivided into three stag-

es, depending on the change in their credit quality since initial recognition. In Stage 1, the expected loan losses are calculated to the amount of the expected loss with an observation period of one year. In Stages 2 and 3, the calculation of expected loan losses is performed across the entire expected remaining term of financial instruments (lifetime expected loss). Stage 3 includes receivables already defaulted (reflecting existing IAS 39 procedures), which has been adapted in line with the new requirements of IFRS 9. This mainly involves the definition of default, which has been harmonised with regulatory requirements.

Determining and implementing suitable models for calculating expected loss and lifetime expected loss in line with accounting standards are crucial for the NORD/LB Group. A standard-compliant method has been developed for the allocation of stages under IFRS 9. The key elements of the method involve quantitative and qualitative credit quality indicators which are suitable for ensuring a transfer to the corresponding stage of the impairment model in the event of a significant change in credit risk.

At NORD/LB, risk provisioning is calculated using an instrument-by-instrument approach. Risk provisioning is determined using a parameter-based approach for all financial instruments in stages 1 and 2 and for non-significant stage 3 financial instruments, whereas an expert-based approach involving multiple scenarios is selected for significant stage 3 financial instruments.

The parameter-based calculation is carried out on the basis of default probabilities, loss rates and the amount of the exposure at default. The methodological concept for using forward-looking information as part of scenarios as well as the implementation of a multi-scenario view to determine risk provisioning has predominately been completed at NORD/LB group except for minor issues. The NORD/LB currently validates the parameter-based calculation of risk provisioning for stages 1 and 2 as well as for the level transfer. The necessary functionality tests of the IT implementation have not yet been fully completed. Additionally, because of the new categorisation requirements under IFRS 9 for the business model and assessment of the cash flow criterion the population of

all financial instruments in the scope for the impairment will also change in future. Therefore, calculation of the initial-application effects resulting from the changes to the impairment model still involves the aforementioned uncertainties, and can not be determined sufficiently grounded before conception and implementation of the new impairment calculation method and classification of financial assets have been completed.

#### *Hedging relationships*

The IASB has decided to subdivide hedge accounting into general hedge accounting and macro hedge accounting. Macro hedge accounting is not covered by the published IFRS 9 and is currently being addressed by the IASB as a standalone project.

Until the new regulations regarding macro hedge accounting are published, the regulations of IAS 39 regarding portfolio fair-value hedges for interest risks will remain in effect. There is an option to apply the standard on general hedge accounting as from 1 January 2018, or to continue with the IAS 39 regulations. NORD/LB will continue to apply the current provisions of IAS 39 with respect to hedge accounting.

In future, the changed classification requirements under IFRS 9 will also change the composition of the underlying transactions in the fair-value-hedge portfolio for interest rate risks. This will only result in minor initial-application effects for the NORD/LB Group.

In view of the aforementioned uncertainties, the expected effect of the initial application of IFRS 9 at initial application date as at 1 January 2018 at reporting date in accordance with IAS 8.30 (b) cannot be determined or reliably estimated as at the reporting date.

#### *Recognition*

In accordance with the IFRS 9 classification and measurement requirements, the NORD/LB Group will gear its reporting on financial instruments more towards measurement categories. As permitted, retrospective application of IFRS 9 for reporting will be waived. This means that the IFRS 9 values in 2018 will be compared to prior-year

values determined for 2017 according to IAS 39 requirements.

IFRS 9 – Financial Instruments is applicable as a mandatory requirement for financial years starting on or after 1 January 2018.

#### **IFRS 15 – Revenue from Contracts with Customers**

The currently applicable standards for revenue recognition (IAS 18 and IAS 11) and the related interpretations will be replaced from 2018 by IFRS 15. IFRS 15 provides for a new principle-based five-step model for the accounting and recognition of revenue. In particular, the new standard will impact the amount and timing of revenue recognition and its distribution in the statement of comprehensive income. The EU endorsed the standard in the fourth quarter of 2016; the clarifications were endorsed in the fourth quarter of 2017.

Application of the standard is mandatory for reporting periods beginning on or after 1 January 2018. The standard is fundamentally applicable for all contracts with customers of the NORD/LB Group, but in many cases it is not relevant for the Group because large parts of the income in the statement of comprehensive income are subject to the provisions of other standards. IFRS 15 is mainly applicable to the accounting of commission income, i.e. to the Group's service business. The NORD/LB Group completed the implementation project, which refined or supplemented existing requirements, in the second quarter of 2017. The introduction of the standard will not have a material impact on the presentation of the net assets, financial position and results of operations of the NORD/LB Group.

#### **IFRS 16 – Leasing**

In January 2016, the IASB issued the new standard IFRS 16 on leases, which replaces the previous standard IAS 17 in conjunction with the interpretations IFRIC 4, SIC-15 and SIC-27. It was implemented in European law in November 2017. In principle, the scope of application covers all contracts for which the right to use or control an asset



is transferred for an agreed period against remuneration.

The initial application of IFRS 16 is for financial years beginning on or after 1 January 2019. There are no plans for early application together with the application of IFRS 15 Revenue from Contracts with Customers for NORD/LB.

In particular, the new standard affects the balance sheet of the NORD/LB Group as a lessee. IFRS 16 will ensure a uniform accounting model for lessees in the future, under which right-of-use assets and leasing liabilities for leases will be recorded – with certain exceptions for short-term and low-value leases. Effects on the net assets, financial position and financial performance of the NORD/LB Group are caused in particular by an increase in total assets recognised in the balance sheet as a result of the recognition requirement for usage rights and liabilities for leases that are

currently recorded under IAS 17 as operating leases. Moreover, breaking down expenses into a depreciation component and an interest component using the effective interest method results in the degressive development of expense and the earlier recognition of expenses in the earlier periods of the term of a lease agreement.

A detailed analysis and quantification of the effects is currently being carried out within the scope of a project on the implementation of IFRS 16. The potential to exercise the options granted pursuant to IFRS 16 is primarily seen for lease agreements relating to operating and business equipment as well as short-term residential rental properties. In addition, the NORD/LB Group will exercise the option not to record leasing arrangements for other intangible assets in accordance with IFRS 16 and to disclose the cumulative effect in equity on a modified retrospective basis.

### (3) Basis of consolidation

In addition to parent company NORD/LB, the consolidated financial statements include 36 (31 December 2016: 42) subsidiaries for which NORD/LB holds or otherwise exercises control of more than 50 per cent of the voting rights directly or indirectly. They also include one (31 December 2016: two) joint ventures and nine (31 December 2016: 11) associates. The joint venture and the associates are accounted for using the equity method.

The following changes to the basis of consolidation have occurred since 31 December 2016:

With its purchase of 45.17 per cent of shares of Bremer Landesbank Kreditanstalt Oldenburg - Girozentrale - , Bremen (Bremer Landesbank) NORD/LB received legal control of 100 per cent of shares with effect as at 1 January 2017. The acquisition of equity capital hitherto attributable to non-controlling interests had already been anticipated in the consolidated financial statements as at 31 December 2016 (see Note (29) Equity). As a result of the merger of NORD/LB and Bremer Landesbank on 31 August 2017 – with economic effect retroactive to 1 January 2017 – Bremer Landesbank is no longer a subsidiary subject to consolidation. Because it was already included in the full consolidation the merger has no impact on the consolidated financial statements of NORD/LB.

The previously fully consolidated shipping companies and their assets which were recognised in the balance sheet item Assets held for sale as at 31 December 2016 were sold in the first quarter of 2017 and have therefore been deconsolidated. These companies are Nordic Buxtehude Schiffahrtsgesellschaft mbH & Co. KG, Nordic Stade Schiffahrtsgesellschaft mbH & Co. KG, both based in Hamburg, and Proud Parents Investments Co., based in Majuro/Marshall Islands. The resulting deconsolidation effect totals € 5 million and is included in Other operating profit/loss.

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

The previously fully consolidated fund NORD/LB AM ARB EUROPE, whose assets were recognised in the balance sheet item Assets held for sale as at 31 March 2017, was dissolved in the second quarter of 2017 and deconsolidated with effect as at 24 April 2017.

The major assets of Beteiligungs-Kommanditgesellschaft MS “Buxmelody” Verwaltungs- und Bereederungs GmbH & Co., Buxtehude and MT “NORDIC SCORPIUS” Tankschiffahrts-

gesellschaft mbH & Co. KG, Hamburg were sold in April/May 2017. The assets were transferred, respectively, to Callisto Beteiligungsgesellschaft mbH & Co. KG and Hyperion Tankschiffahrtsgesellschaft mbH & Co. KG, both based in Hamburg, as part of an Group-internal transaction. As a result, the two former companies, which had been fully consolidated, were deconsolidated with effect as at 26 April and 12 May 2017, respectively, and the latter two – acquiring – companies included in the consolidated financial statements as fully consolidated companies for the first time as at the same reporting dates.

In addition, the shares of SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg, which had been recognised in the balance sheet as an associated company pursuant to IFRS 5, were sold and deconsolidated with effect as at 16 January 2017.

In connection with the takeover of Bremer Landesbank, the sub-participation held by a third party in BREBAU GmbH became effective as at 22 May 2017, as a result of which BREBAU GmbH, which had been consolidated as an associated company was deconsolidated. There was a decon-

solidation effect of € 14 million, which is included in the Profit/loss from shares in companies accounted for using the equity method.

Also in connection with the takeover of Bremer Landesbank, Bremische Grundstücks-GmbH, Bremen, which had been fully consolidated, was transferred to the purchaser after the spin-off was registered on 30 August 2017. Consequently, the stake in Bremische Wohnungsbaubeteiligungsgesellschaft mbH, Bremen, which had been accounted for as a joint venture using the equity method and included in the consolidated financial statements, was disposed of. Both companies were deconsolidated with effect as at the aforementioned reporting date. Simultaneously, the acquiring company involved in the spin-off, GBH Beteiligungs-GmbH, Bremen, was included in the consolidated financial statements for the first time as at the same reporting date.

Information on the subsidiaries, joint ventures and associates included in the interim consolidated financial statements can be found in Note (37) Basis of consolidation.

## Segment Reporting

Segment reporting provides information about the Group's operational fields of activity. The basis for the following segment reporting is IFRS 8, "Operating Segments", which currently follows the management approach. The segment information is presented in IFRS on the basis of internal reporting the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The total risk exposure amount is now recognised uniformly for the business segments and the Group, with the RWA shown pursuant to CRR/CRD IV as at the end of the reporting period. The previous year's figures have been adjusted.

### Segment reporting by business segment

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

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

Net interest income generated by the individual segments is calculated based on the market interest-rate method. In doing so, the contribution from interest terms for each customer transaction is

determined by comparing the customer terms with the applicable structurally market rate for a notional offsetting transaction at the time they were concluded. This market interest rate is also used as the cost rate for the balancing provision in Treasury. As a result there is no gross recognition of interest income and interest expenses. The financing income from committed equity is distributed across market segments.

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

Segment expenses comprise primary expenses and expenses allocated on the basis of cost and service charging as well as distributed overhead costs. The risk provisioning as a result of individual and portfolio-based valuation allowances is allocated to the segments on the basis of actual costs.

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

In addition to the profit and loss account figures, the attributable total risk exposure amount, segment assets and liabilities, committed capital and the key figures cost-income ratio (CIR), Return on Risk adjusted Capital (RoRaC) and Return-on-Equity (RoE) are also presented in the segment report. The total risk exposure amount indicates the attributable RWA pursuant to CRR/CRD IV as at the end of the reporting period. The cost-income ratio is defined as the ratio of administrative expenses to the sum of the following earnings: net interest income, net commission income, profit/loss from financial instruments at fair value through profit or loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

The calculation of the RoRaC in the segments relates to the earnings contribution before taxes to committed capital (in this case, 9 per cent of the RWA limit or utilisation, whichever is the higher amount).

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

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

#### *Private and Commercial Customers*

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

#### *Corporate Customers*

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

Banking products and banking services are offered by the Bank as a full-service provider. The services range from traditional transaction man-

agement to individual corporate financing to management of interest rate and currency risks to occupational pension solutions. Comprehensive solutions for complex corporate financing and the strategic positioning of corporate customers are also developed in this segment. Professional liquidity and risk management, the structuring of equity capital measures and innovative financing instruments round out the product range.

#### *Markets*

The Markets segment includes the financial market activities conducted on behalf of customers in Germany, at foreign branches and within Group companies. Business with associated banks comprises transactions with public-sector institutions, institutional business with associated savings banks as well as syndicated transactions processed with associated savings banks.

It offers alternative and non-mass market products, including derivatives, such as, in particular, special types of debt securities that are not standardised in terms of their interest rate and repayments, but instead offer alternatives to income generation, the type of repayment or the timing of repayment (structured securities). Within the secondary business, it conducts the sale or trade of all types of securities. Individual solutions for institutional customers, such as the structuring of special funds, pool fund solutions as well as portfolio management mandates and institutional mutual funds, are also offered.

In addition, it also offers private banking products, investment products in the form of, for example, open or closed-end funds (real estate, aircraft) and products for individual asset management or estate or foundation management for savings banks which these banks request either as direct customers for their own trading business or to round out their product range in their business with private or corporate customers.

In the Energy and Infrastructure Customers, Ship Customers, Aircraft Customers and Real Estate Banking Customers business segments, traditional lending products, innovative products and financial engineering are generally offered, irre-

spective of the industry. This mainly involves restricted financing.

#### *Energy and Infrastructure Customers*

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

#### *Ship Customers*

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

#### *Aircraft Customers*

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

core products. In addition, it also carries out the covered export business.

#### *Real Estate Banking Customers*

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

#### *Group Controlling/Others*

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

#### *Reconciliations*

The reconciliation items from internal accounting to the consolidated overall figures for the income statement are shown here as well as reclassifications of profit and loss items, which are recognised differently in the internal management system than in the external statement.

## (4) Segment reporting by business segment

30 Sep.2017 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconciliations	NORD/LB Group
Net interest income before loan loss provisions	130	271	141	144	196	84	151	- 6	- 47	1 064
Loan loss provisions	- 3	6	- 2	15	656	1	6	8	- 4	683
<b>Net interest income after loan loss provisions</b>	<b>133</b>	<b>265</b>	<b>142</b>	<b>130</b>	<b>- 460</b>	<b>83</b>	<b>145</b>	<b>- 14</b>	<b>- 43</b>	<b>381</b>
Net commission income	43	45	34	30	12	5	1	- 56	- 24	89
Profit / loss from financial instruments at fair value through profit or loss	3	24	70	30	13	1	6	51	49	247
Profit / loss from hedge accounting	-	-	-	-	-	-	-	7	-	7
Profit / loss from financial assets	-	-	-	-	-	-	-	133	-	133
Profit / loss from investments accounted for using the equity method	-	-	-	-	-	-	-	19	10	29
Administrative expenses	132	127	104	80	88	25	45	270	12	883
Other operating profit / loss	- 9	- 3	1	3	-	-	1	391	- 13	372
<b>Profit / Loss before reorganisation and taxes</b>	<b>37</b>	<b>203</b>	<b>143</b>	<b>112</b>	<b>- 523</b>	<b>65</b>	<b>107</b>	<b>261</b>	<b>- 32</b>	<b>375</b>
Reorganisation expenses	-	-	-	-	-	-	-	- 49	-	- 49
<b>Earnings before taxes (EBT)</b>	<b>37</b>	<b>203</b>	<b>143</b>	<b>112</b>	<b>- 523</b>	<b>65</b>	<b>107</b>	<b>212</b>	<b>- 32</b>	<b>326</b>
Taxes	-	-	-	-	-	-	-	-	98	98
<b>Consolidated profit</b>	<b>37</b>	<b>203</b>	<b>143</b>	<b>112</b>	<b>- 523</b>	<b>65</b>	<b>107</b>	<b>212</b>	<b>- 131</b>	<b>228</b>
Segment assets	6 850	22 346	32 124	16 534	13 208	6 140	13 574	54 519	- 75	165 220
of which: from investments accounted for using the equity method	44	-	-	-	-	-	-	154	-	198
Segment liabilities	6 826	8 398	43 708	3 285	1 051	420	224	94 831	6 477	165 220
Total risk exposure amount	3 817	12 674	3 567	7 087	6 244	4 394	5 060	6 435	2 499	51 776
Capital employed <sup>1)</sup>	475	1 568	412	791	1 185	618	613	1 047	- 991	5 719
CIR	79,4%	37,8%	42,4%	38,7%	39,7%	27,0%	28,5%			48,8%
RoRaC / RoE <sup>2)</sup>	10,0%	15,9%	32,8%	14,5%	-51,4%	14,1%	18,3%			7,6%

30 Sep.2016 (in € million)	Private and Com- mercial Cus- tomers	Corporate Cus- tomers	Markets	Energy and In- fra- struc- ture Cus- tomers	Ship Cus- tomers	Aircraft Cus- tomers	Real Estate Banking Cus- tomers	Group Manage- ment/ Others	Recon- ciliations	NORD/LB Group
Net interest income before loan loss provisions	138	261	137	146	284	77	165	160	- 12	1 357
Loan loss provisions	-	82	-	29	1 590	1	- 7	- 40	- 4	1 651
<b>Net interest income after loan loss provisions</b>	<b>138</b>	<b>179</b>	<b>137</b>	<b>118</b>	<b>- 1 306</b>	<b>76</b>	<b>172</b>	<b>200</b>	<b>- 8</b>	<b>- 294</b>
Net commis- sion income	43	49	63	68	19	13	3	- 49	- 44	165
Profit / loss from financial instruments at fair value through profit or loss	-	5	57	- 23	- 7	-	5	274	23	334
Profit / loss from hedge accounting	-	-	-	-	-	-	-	20	-	20
Profit / loss from financial assets	-	-	-	-	-	-	-	61	-	61
Profit / loss from invest ments accounted for using the equity method	2	-	-	-	-	-	-	- 19	- 1	- 18
Administrative expenses	135	107	101	72	80	20	47	273	-	835
Other operating profit / loss	- 8	1	2	1	1	-	-	- 20	- 25	- 47
<b>Profit / Loss before reorganisation and taxes</b>	<b>40</b>	<b>126</b>	<b>158</b>	<b>92</b>	<b>- 1 372</b>	<b>70</b>	<b>132</b>	<b>195</b>	<b>- 56</b>	<b>- 614</b>
Reorganisation expenses	-	-	-	-	-	-	-	- 9	-	- 9
<b>Earnings before taxes (EBT)</b>	<b>40</b>	<b>126</b>	<b>158</b>	<b>92</b>	<b>- 1 372</b>	<b>70</b>	<b>132</b>	<b>185</b>	<b>- 56</b>	<b>- 624</b>
Taxes	-	-	-	-	-	-	-	-	112	112
<b>Consolidated profit</b>	<b>40</b>	<b>126</b>	<b>158</b>	<b>92</b>	<b>- 1 372</b>	<b>70</b>	<b>132</b>	<b>185</b>	<b>- 167</b>	<b>- 735</b>
Segment assets	7 172	23 616	39 023	17 128	18 069	8 345	14 634	49 487	- 2 743	174 732
of which: from invest- ments accounted for using the equity method	44	-	-	-	-	-	-	240	-	285
Segment liabilities	7 049	8 451	50 988	3 429	2 911	778	400	100 518	209	174 732
Total risk exposure amount	4 039	13 117	4 292	7 361	14 746	4 858	5 658	7 457	2 330	63 857
Capital employed <sup>1)</sup>	380	1 148	399	706	2 029	440	519	1 275	1 114	8 010
CIR	77,0%	33,9%	38,8%	37,2%	27,0%	21,9%	27,5%			46,1%
RoRaC / RoE <sup>2)</sup>	13,7%	13,5%	45,9%	15,3%	-78,8%	21,1%	23,9%			-10,4%

(in € million)	30 Sep.2017	30 Sep.2016
Sustainable relating to german local GAAP equity	5 719	8 010
Revaluation reserve	273	519
Consolidated profit	303	– 981
<b>Financial equity</b>	<b>6 295</b>	<b>7 548</b>

<sup>1)</sup> Reconciliation of long-term equity under commercial law to reported equity..

<sup>2)</sup> Auf RoRaC at the business level:

(earnings before taxes \* 4/3) / committed core capital

(9 per cent of the higher value of the limit and the utilisation of the total risk exposure amount)

RoE at the company level:

(earnings before taxes \* 4/3) / long-term equity under commercial law (= reported equity – revaluation reserve – earnings after taxes).

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



## Notes to the income statement

### (5) Net interest income

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

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 <sup>1)</sup> (in € million)	Change (in %)
<b>Interest income</b>			
Interest income from lending and money market transactions	2 270	2 500	- 9
Interest income from debt securities and other fixed-interest securities	338	406	- 17
Interest income from financial instruments at fair value			
Interest income from trading profit / loss and hedge accounting derivatives	1 902	1 967	- 3
Interest income from fair value option	22	26	- 15
Current income			
from shares and other non fixed-interest securities	2	3	- 33
from investments	9	8	13
Income of silent participations	-	21	- 100
Interest income from other amortisations	438	546	- 20
Other interest income and similar income	8	10	- 20
	<b>4 989</b>	<b>5 487</b>	<b>- 9</b>
<b>Negativ interest income</b>	<b>50</b>	<b>15</b>	<b>&gt; 100</b>
<b>Interest expense</b>			
Interest expenses from lending and money market transactions	959	1 077	- 11
Interest expenses from securitised liabilities	281	352	- 20
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit / loss and hedge accounting derivatives	1 870	1 895	- 1
Interest expenses from fair value option	183	171	7
Interest expenses from subordinated capital	140	128	9
Interest expenses from other amortisations	461	477	- 3
Interest expenses from provisions and liabilities	35	42	- 17
Other interest expenses and similar expenses	3	5	- 40
	<b>3 932</b>	<b>4 147</b>	<b>- 5</b>
<b>Positiv interest expenses</b>	<b>58</b>	<b>32</b>	<b>81</b>
<b>Total</b>	<b>1 065</b>	<b>1 357</b>	<b>- 22</b>

<sup>1)</sup> Die The previous year's figures were restated; to clarify net interest income, interest expenses from assets and interest income from liabilities were reported separately

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

**(6) Loan loss provisions**

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Income from provisions for lending business</b>			
Reversal of specific valuation allowance	879	319	> 100
Reversal of lumpsum specific loan loss provisions	3	3	-
Reversal of general loan loss provisions	104	238	- 56
Reversal of provisions for lending business	21	26	- 19
Additions to receivables written off	22	17	29
	<b>1 029</b>	<b>603</b>	<b>71</b>
<b>Expenses for provisions for lending business</b>			
Allocation to specific valuation allowance	1 478	1 943	- 24
Allocation to lumpsum specific loan loss provisions	2	2	-
Allocation to general loan loss provisions	106	93	14
Allocation to provisions for lending business	26	15	73
Direct write-offs of bad debts	100	201	- 50
	<b>1 712</b>	<b>2 254</b>	<b>- 24</b>
<b>Total</b>	<b>683</b>	<b>1 651</b>	<b>- 59</b>

**(7) Net commission income**

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Commission income</b>			
Commission income from banking transactions	182	249	- 27
Commission income from non-banking transactions	13	10	30
	<b>195</b>	<b>259</b>	<b>- 25</b>
<b>Commission expense</b>			
Commission expense from banking transactions	105	94	12
Commission expense from non-banking transactions	1	1	-
	<b>106</b>	<b>95</b>	<b>12</b>
<b>Total</b>	<b>89</b>	<b>164</b>	<b>- 46</b>

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

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Trading profit / loss</b>			
Profit / loss from debt securities and other fixed-interest securities	- 2	103	> 100
Profit / loss from shares and other non fixed-interest securities	- 2	- 4	- 50
Profit / loss from derivatives	- 136	362	> 100
Interest-rate risks	- 81	260	> 100
Currency risks	- 88	85	> 100
Share-price and other price risks	3	- 8	> 100
Credit derivatives	30	25	20
Profit / loss from receivables held for trading	- 84	149	> 100
	<b>- 224</b>	<b>610</b>	<b>&gt; 100</b>
Foreign exchange result	71	28	> 100
Other income	- 4	- 2	100
	<b>- 157</b>	<b>636</b>	<b>&gt; 100</b>
<b>Profit / loss from the fair value option</b>			
Profit / loss from receivables to customers and banks	- 8	11	> 100
Profit / loss from debt securities and other fixed-interest securities	18	47	- 62
Profit / loss from liabilities to banks and customers	348	- 347	> 100
Profit / loss from securitised liabilities	46	- 13	> 100
	<b>404</b>	<b>- 302</b>	<b>&gt; 100</b>
<b>Total</b>	<b>247</b>	<b>334</b>	<b>- 26</b>

**(9) Profit/loss from hedge accounting**

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

changes in fair value to hedging instruments in effective fair value hedges.

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Profit / loss from micro fair value hedges</b>			
from hedged underlying transactions	- 218	278	> 100
from derivatives employed as hedging instruments	212	- 268	> 100
	<b>- 6</b>	<b>10</b>	<b>&gt; 100</b>
<b>Profit / loss from portfolio fair value hedges</b>			
from hedged underlying transactions	- 3	- 134	- 98
from derivatives employed as hedging instruments	15	144	- 90
	<b>12</b>	<b>10</b>	<b>20</b>
<b>Total</b>	<b>6</b>	<b>20</b>	<b>- 70</b>

**(10) Profit/loss from financial assets**

The profit/loss from investments includes disposal gains/losses and valuation results at fair value

through profit and loss from securities and company shares of financial assets.

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Profit / loss from financial assets classified as LaR</b>	<b>2</b>	<b>6</b>	<b>- 67</b>
<b>Profit / loss from financial assets classified as AfS (excluding investments)</b>			
Profit/ loss from the disposal of			
Debt securities and other fixed-interest securities	52	- 6	> 100
Shares and other non fixed-interest securities	19	1	> 100
Profit / loss from allowances for losses on			
Debt securities and other fixed-interest securities	-	61	- 100
Shares and other non fixed-interest securities	- 1	- 4	- 75
Other financial assets classified as AFS	16	-	100
	<b>86</b>	<b>52</b>	<b>65</b>
<b>Profit / loss from shares in companies (not consolidated)</b>	<b>45</b>	<b>3</b>	<b>&gt; 100</b>
<b>Total</b>	<b>133</b>	<b>61</b>	<b>&gt; 100</b>

**(11) Administrative expenses**

Administrative expenses comprise staff expenses, other administrative expenses, amortisations and

depreciations of property and equipment, intangible assets and investment properties.

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
Staff expenses	440	419	5
Other administrative expenses	402	366	10
Amortisation and depreciation	41	50	- 18
<b>Total</b>	<b>883</b>	<b>835</b>	<b>6</b>

**(12) Other operating profit/loss**

	1 Jan. - 30 Sep. 2017 (in € million)	1 Jan. - 30 Sep. 2016 (in € million)	Change (in %)
<b>Other operating income</b>			
from the reversal of provisions	20	2	> 100
from other business	586	254	> 100
	<b>606</b>	<b>256</b>	<b>&gt; 100</b>
<b>Other operating expenses</b>			
from allocation to provisions	12	2	> 100
from other business	222	301	- 26
	<b>234</b>	<b>303</b>	<b>- 23</b>
<b>Total</b>	<b>372</b>	<b>- 47</b>	<b>&gt; 100</b>

Earnings from other business include earnings from the disposal of receivables (€ 446 million (€ 147 million)), earnings from chartering ships in connection with restructuring commitments in the credit business (€ 25 million (€ 31 million)), reimbursements of expenses (€ 15 million (€ 7 million)), earnings from the repurchase of own debt securities (€ 8 million (€ 1 million)) and rental income from investment properties (€ 8 million (€ 8 million)).

Expenses from other business mainly include expenses from the bank levy (€ 53 million (€ 55 million)), expenses from the disposal of liabilities to banks and customers (€ 43 million (€ 117 million)), expenses from the repurchase of

own debt securities (€ 36 million (€ 36 million)), expenses incurred to generate charter revenue from ships (€ 21 million (€ 25 million)), valuation allowances on property and equipment, intangible assets and investment properties (€ 20 million (€ 4 million)) and expenses from disposals of liabilities (€ 17 million (€ 5 million)).

This item also includes unscheduled write-ups on ships in the amount of € 49 million (€ 0 million). The write-downs are primarily due to lower market values of ships as a result of the ongoing shipping markets crisis. The write-ups are the result of changes to measurements because of ships that are no longer recognised as for sale.

### **(13) Restructuring expenses**

This item involves measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group; non-staff and staff expenses are recognised separately due to their significance. The reorganisation requirements are related to the merger of Bremer Landesbank and NORD/LB. The figure amounting

to a total of € 49 million (€ 9 million) comprises expenses from the allocation to reorganisation provisions, and relates to staff costs.

The items included in reorganisation expenses are non-recurring and are not attributed to the NORD/LB Group's normal business activities.

### **(14) Income taxes**

Income taxes reported in the interim financial statements are calculated based on the anticipated income tax rate for the full year. The underlying tax rate is based on the legal regulations appli-

cable or enacted as at the reporting date. The current Group income tax rate is influenced by the non-recognition of deferred tax assets as well as the reversal of tax provisions for previous years.

## Notes to the balance sheet

**(15) Loans and advances to banks**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Loans and advances resulting from money market transactions</b>			
German banks	10 338	3 859	> 100
Foreign banks	3 130	2 934	7
	<b>13 468</b>	<b>6 793</b>	<b>98</b>
<b>Other loans and advances</b>			
German banks			
Due on demand	1 359	1 137	20
With a fixed term or period of notice	10 775	11 282	- 4
Foreign Banks			
Due on demand	1 964	1 949	1
With a fixed term or period of notice	479	586	- 18
	<b>14 577</b>	<b>14 954</b>	<b>- 3</b>
<b>Total</b>	<b>28 045</b>	<b>21 747</b>	<b>29</b>

**(16) Loans and advances to customers**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Loans and advances resulting from money market transactions</b>			
Domestic customers	960	1 080	- 11
Customers abroad	492	1 050	- 53
	<b>1 452</b>	<b>2 130</b>	<b>- 32</b>
<b>Other loans and advances</b>			
Domestic customers			
Due on demand	3 628	2 036	78
With a fixed term or period of notice	63 742	68 861	- 7
Customers abroad			
Due on demand	1 034	906	14
With a fixed term or period of notice	27 787	31 707	- 12
	<b>96 191</b>	<b>103 510</b>	<b>- 7</b>
<b>Total</b>	<b>97 643</b>	<b>105 640</b>	<b>- 8</b>

**(17) Risk provisioning**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Specific valuation allowance	3 838	3 577	7
Collective valuation allowances	6	7	- 14
Portfolio valuation allowances	215	213	1
<b>Total</b>	<b>4 059</b>	<b>3 797</b>	<b>7</b>

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

(in € million)	Specific valuation allowances		Collective valuation allowances		Portfolio valuation allowances		Loan loss provisions		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>1 January</b>	<b>3 577</b>	<b>2 522</b>	<b>7</b>	<b>7</b>	<b>213</b>	<b>430</b>	<b>47</b>	<b>55</b>	<b>3 844</b>	<b>3 014</b>
Allocations	1 478	1 943	2	2	106	93	26	15	1 612	2 053
Reversals	879	319	3	3	104	238	21	26	1 007	586
Utilisation	744	619	-	-	-	-	1	-	745	619
Unwinding	- 69	- 53	-	-	-	-	-	-	- 69	- 53
Effects of changes of foreign exchange rates and other changes	475	- 18	-	-	-	1	- 1	-	474	- 17
<b>30 Sep.</b>	<b>3 838</b>	<b>3 456</b>	<b>6</b>	<b>6</b>	<b>215</b>	<b>286</b>	<b>50</b>	<b>44</b>	<b>4 109</b>	<b>3 792</b>

#### (18) Financial assets at fair value through profit or loss

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Trading assets</b>			
Debt securities and other fixed-interest securities	2 142	2 357	- 9
Shares and other non fixed-interest securities	2	1	100
Positive fair values from derivatives	4 814	5 559	- 13
Trading portfolio claims	1 902	3 143	- 39
	<b>8 860</b>	<b>11 060</b>	<b>- 20</b>
<b>Financial assets as at fair value through profit or loss</b>			
Loans and advances to banks and customers	193	203	- 5
Debt securities and other fixed-interest securities	1 392	1 263	10
	<b>1 585</b>	<b>1 466</b>	<b>8</b>
<b>Total</b>	<b>10 445</b>	<b>12 526</b>	<b>- 17</b>

#### (19) Financial assets

The financial assets balance sheet item includes all debt securities classified as available for sale (AfS) and other fixed-income securities, equities and other non-fixed-income securities, shares in companies that are not measured pursuant to IFRS 10, IFRS 11 or IAS 28 and financial assets

classified as loans and receivables (LaR).

Investments in the equity capital of other companies as well as silent participations and participatory capital with loss sharing are allocated to the category AfS.

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Financial assets classified as LaR</b>	<b>2 055</b>	<b>2 755</b>	<b>- 25</b>
<b>Financial assets classified as AfS</b>			
Debt securities and other fixed-interest securities	25 239	28 211	- 11
Shares and other non fixed-interest securities	144	182	- 21
Shares in companies (not consolidated)	322	313	3
Other financial assets classified as AfS	76	113	- 33
	<b>25 781</b>	<b>28 819</b>	<b>- 11</b>
<b>Total</b>	<b>27 836</b>	<b>31 574</b>	<b>- 12</b>

**(20) Property and equipment**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Land and buildings	331	334	- 1
Operating and office equipment	51	56	- 9
Ships	123	29	> 100
Other property and equipment	2	1	100
<b>Total</b>	<b>507</b>	<b>420</b>	<b>21</b>

**(21) Intangible assets**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Software</b>			
Purchased	75	61	23
Internally developed	41	45	- 9
	<b>116</b>	<b>106</b>	<b>9</b>
Intangible assets under development	11	16	- 31
Leasing Property from Finance Lease	4	4	-
Other intangible assets	23	28	- 18
<b>Total</b>	<b>154</b>	<b>154</b>	<b>-</b>

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

**(22) Assets held for sale**

Assets held for sale pursuant to IFRS 5 are broken down as follows:

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances to banks and customers	198	1 001	- 80
Risk provisioning	115	711	- 84
Financial assets	-	10	- 100
Investments - formerly accounted for using the equity method	-	6	- 100
Property and equipment	15	108	- 86
Other assets	-	7	- 100
<b>Total</b>	<b>98</b>	<b>421</b>	<b>- 77</b>

In financial year 2016, NORD/LB Group decided to reduce its shipping loan portfolio.

In May 2017, a decision was made not to dispose of a sub-portfolio with a receivables volume of € 333 million (risk provisioning of € 237 million), as the planned securitisation transaction was not carried out. This sub-portfolio will now be recognised in its original balance sheet item, Loans and advances to customers, rather than in Assets held for sale.

In addition, several individual receivables with a total volume of € 380 million (risk provisioning of € 155 million) were removed from this balance sheet item as a result of a sale. Other changes of € 90 million occurred as a result of other measurement effects.

The planned securitisation transaction also included the assets of 11 fully consolidated subsidiaries and special purpose entities, each of which represented a separate disposal group. The com-



panies are one-ship companies from the Group Controlling/Others segment whose main assets were the ships included in this item under Property and equipment. With the exception of one disposal group, they are no longer recognised as assets held for sale. As a result, the ships recognised in this item under property and equipment fell by € 91 million and are once again recognised in the original balance sheet item, Property and equipment.

In the third quarter of 2017, another ship available for sale was reclassified from the Property and equipment balance sheet item to this item. As a result, there are two ships with a balance sheet value of € 15 million recognised in this item under Property and equipment. The sale of both ships took place in October 2017. The decline in assets held for sale, all of which are part of the Ship Customers segment, resulted in a positive income statement effect totalling € 77 million.

Three ships in the Ship Customers business segment which were previously recognised in Proper-

ty and equipment for sale in the amount of € 17 million were sold in January and March 2017 respectively. As a result, an additional profit of € 5 million was recognised in Other operating profit/loss.

Financial assets held for sale related to shares in two investments in the Corporate Controlling/Others segment. The sale took place on 1 January and in July 2017 respectively. The resulting disposal gain of € 37 million is included in Other operating profit/loss.

In addition, shares in a company in the Group Controlling/Others segment that were previously accounted for using the equity method were removed after the sale of the shares at the beginning of 2017.

Assets held for sale from a previously fully consolidated subsidiary were removed in January 2017, as the company was sold. The previously fully consolidated subsidiary is a subsidiary in the Private and Commercial Customers segment.

### (23) Liabilities to banks

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Deposits from other banks</b>			
German banks	3 163	2 798	13
Foreign banks	1 805	1 546	17
	<b>4 968</b>	<b>4 344</b>	<b>14</b>
<b>Liabilities resulting from money market transactions</b>			
German banks	6 629	9 558	- 31
Foreign banks	6 905	10 248	- 33
	<b>13 534</b>	<b>19 806</b>	<b>- 32</b>
<b>Other liabilities</b>			
German banks			
Due on demand	2 228	387	> 100
With a fixed term or period of notice	22 549	23 714	- 5
Foreign banks			
Due on demand	1 078	518	> 100
With a fixed term or period of notice	529	472	12
	<b>26 384</b>	<b>25 091</b>	<b>5</b>
<b>Total</b>	<b>44 886</b>	<b>49 241</b>	<b>- 9</b>

**(24) Liabilities to customers**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Savings deposits</b>			
With an agreed notice period of three months			
Domestic customers	1 171	1 204	- 3
Customers abroad	12	12	-
With an agreed notice period of more than three months			
Domestic customers	17	25	- 32
Customers abroad	1	1	-
	<b>1 201</b>	<b>1 242</b>	<b>- 3</b>
<b>Liabilities resulting from money market transactions</b>			
Domestic customers	12 918	12 672	2
Customers abroad	1 923	2 924	- 34
	<b>14 841</b>	<b>15 596</b>	<b>- 5</b>
<b>Other liabilities</b>			
Domestic costumers			
Due on demand	15 214	13 196	15
With a fixed term or period of notice	22 786	24 295	- 6
Customers abroad			
Due on demand	1 036	1 101	- 6
With a fixed term or period of notice	1 842	1 871	- 2
	<b>40 878</b>	<b>40 463</b>	<b>1</b>
<b>Total</b>	<b>56 920</b>	<b>57 301</b>	<b>- 1</b>

**(25) Securitised liabilities**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Issued debt securities</b>			
Covered bonds	11 007	10 806	2
Municipal debentures	8 882	9 073	- 2
Other debt securities	13 390	15 071	- 11
	<b>33 279</b>	<b>34 950</b>	<b>- 5</b>
<b>Money market instruments</b>			
Commercial paper	205	579	- 65
Certificates of deposit	165	286	- 42
	<b>370</b>	<b>865</b>	<b>- 57</b>
<b>Total</b>	<b>33 649</b>	<b>35 815</b>	<b>- 6</b>

Of the securitised liabilities, repurchased own debt securities in the amount of € 4 799 million (€ 5 797 million) are deducted directly.

In the first nine months of financial year 2017, the nominal volume of issues within the NORD/LB Group amounted to € 8 816 million (€ 9 924 million). Repurchases of € 3 835 million (€ 3 633 million) were carried out, while repayments of

€ 6 552 million (€ 7 700 million) were made. In addition to original issues, the amount of the issues also includes shares sold again following repurchases. This information includes money market instruments and debt securities, securitised liabilities, financial liabilities at fair value through profit or loss (see Note (26)) and Subordinated capital (see Note 0).

**(26) Financial liabilities at fair value through profit or loss**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Trading liabilities</b>			
Negative fair values from derivatives	4 052	5 705	- 29
Delivery obligations from short-sales	146	96	52
	<b>4 198</b>	<b>5 801</b>	<b>- 28</b>
<b>Financial liabilities designated at fair value</b>			
Liabilities to banks and customers	6 125	6 381	- 4
Securitised liabilities	2 885	2 874	-
	<b>9 010</b>	<b>9 255</b>	<b>- 3</b>
<b>Total</b>	<b>13 208</b>	<b>15 056</b>	<b>- 12</b>

**(27) Provisions**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Provisions for pensions and other obligations	2 320	2 433	- 5
Other provisions	333	320	4
<b>Total</b>	<b>2 653</b>	<b>2 753</b>	<b>- 4</b>

Other provisions includes provisions as a result of reorganisation measures in the amount of € 127 million (€ 106 million). Of this amount,

€ 84 million (€ 0 million) relates to provisions for reorganisation measures (for staff measures in connection with the One Bank programme).

**(28) Subordinated capital**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Subordinated liabilities	3 299	3 385	- 3
Participatory capital	21	64	- 67
Silent participations	460	535	- 14
<b>Total</b>	<b>3 780</b>	<b>3 984</b>	<b>- 5</b>

**(29) Equity**

On 31 December 2016, NORD/LB legally held a stake in subsidiary Bremer Landesbank Kreditanstalt Oldenburg –Girozentrale–, Bremen, (Bremer Landesbank) of 54.83 per cent. A stake of 45.17 per cent was held by non-controlling shareholders. On 7 November 2016, NORD/LB concluded a contract with the non-controlling shareholders for the purchase of the remaining shares. The contract was arranged as a forward purchase agreement. As a result, NORD/LB anticipated the acquisition of the equity capital attributable to non-controlling interests in its consolidated financial statements

as at 31 December 2016: A financial liability was recognised for the obligation to purchase its own equity instruments. The shares held by the non-controlling shareholders were derecognised from equity. The difference between the equity capital attributable to non-controlling interests and the purchase price was adjusted in the retained earnings. NORD/LB has legally owned 100 per cent of the shares in Bremer Landesbank since 1 January 2017. Bremer Landesbank was then fully merged with NORD/LB as at 31 August 2017.

## Other disclosures

### (30) Fair value hierarchy

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

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

#### *Level 1*

The fair value hierarchy sets out that a financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. If publicly listed market prices or prices actually traded on the OTC market are not available, generally executable prices from traders and brokers will be used to determine the value used for the measurement. Quotes from other banks or market makers are applied whenever observable sources of prices other than exchanges are used. These instruments are then allocated to Level 1 if there is no active market for these broker quotes, i.e. the bid-ask spread is low and there are multiple price suppliers with very little difference in their prices. If the price is set on an inactive market or if the broker quotes represent (mixed) prices, these are assigned to Level 2 of the measurement hierarchy rather than Level 1 if they involve binding offers or observable prices or market transactions.

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

#### *Level 2*

If no price quotes on an active market are available, the fair value is calculated using recognised measurement methods or models as well as by means of external pricing services if the measurement in this case is carried out either fully or in large part by means of observable input data, such as spread curves (Level 2). To measure financial instruments in these situations, measurement methods are used that are widely recognised on the market under normal market conditions (e.g. the discounted-cash-flow method and the Hull & White model for options) and the calculations of which are fundamentally based on inputs available on an active market. A requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired. Measurement models are used primarily for OTC derivatives and securities listed on inactive markets. The models include a range of inputs such as market prices and other market quotations, risk-free interest-rate curves, risk premiums, exchange rates and volatilities. A standard market approach is always selected for necessary model parameterisations.

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

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

included in the measurement. Several divisions within the Group identify, analyse and value financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible. The measurement model for financial instruments for which there are no quoted prices on active markets is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, other components, such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, derivatives, financial instruments designated at fair value, financial assets recognised in the balance sheet at fair value, assets held for sale recognised in the balance sheet at fair value and other assets.

#### *Level 3*

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

Some interest-bearing securities and derivatives whose market is classified as inactive are measured using the Level 3 procedure. In addition, loans that are intended to be syndicated and the related derivatives are assigned to Level 3. Level 3 measurement is also used for equity structures. On the whole, Level 3 financial instruments include trading assets and liabilities, derivatives, financial instruments designated at fair value, financial assets recognised in the balance sheet at fair value and other assets.

#### *Fair value calculation*

The fair values are subject to internal controls and processes at the NORD/LB Group. These controls

and processes are carried out in and coordinated by the Finance and Risk Control divisions. All of the measurement models used within the Group, the data used in them and the resulting fair values are reviewed on a regular basis.

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

There are generally no quoted prices available for OTC market derivatives, so the fair value must be calculated using other measurement methods. The measurement is first carried out using cash flow models without taking account of the credit default risk.

The measurement adjustment on the basis of the counterparty default risk (credit value adjustment (CVA)/debit value adjustment (DVA)) is calculated on the basis of the net risk position pursuant to IFRS 13.48. The calculation is based on simulated future market values and, if available, market-implied input data.

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

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

(in € million)	30 Sep.2017			31 Dec.2016		
	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
<b>Assets</b>						
Cash reserve	848	848	–	1 447	1 447	–
Loans and advances to banks	28 251	28 045	206	22 270	21 747	523
Loans and advances to customers	96 360	97 643	– 1 283	104 810	105 640	– 830
Risk provisioning	– <sup>1)</sup>	– 4 059	4 059	– <sup>1)</sup>	– 3 797	3 797
<b>Sub-total of loans and advances to banks / customers (net after loan loss provisions)</b>	<b>124 611</b>	<b>121 629</b>	<b>2 982</b>	<b>127 080</b>	<b>123 590</b>	<b>3 490</b>
Balancing items for financial instruments hedged in the fair value hedge portfolio	– <sup>2)</sup>	41	– 41	– <sup>2)</sup>	130	– 130
Financial assets at fair value through profit or loss	10 445	10 445	–	12 526	12 526	–
Positive fair values from hedge accounting derivatives	1 540	1 540	–	2 327	2 327	–
Financial assets not reported at fair value	1 905	2 058	– 153	2 575	2 794	– 219
Financial assets reported at fair value	25 778	25 778	–	28 780	28 780	–
Financial assets held for sale not reported at fair value	83	83	–	291	291	–
Financial assets held for sale reported at fair value	15	15	–	130	130	–
Other assets not reported at fair value	31	31	–	26	26	–
Other assets reported at fair value	11	11	–	13	13	–
<b>Total</b>	<b>165 267</b>	<b>162 479</b>	<b>2 788</b>	<b>175 195</b>	<b>172 054</b>	<b>3 141</b>
<b>Liabilities</b>						
Liabilities to banks	45 018	44 886	132	49 869	49 241	628
Liabilities to customers	59 392	56 920	2 472	60 285	57 301	2 984
Securitised liabilities	33 944	33 649	295	36 325	35 815	510
Balancing items for financial instruments hedged in the fair value hedge portfolio	– <sup>2)</sup>	784	– 784	– <sup>2)</sup>	1 033	– 1 033
Financial liabilities at fair value through profit or loss	13 208	13 208	–	15 056	15 056	–
Negative fair values from hedge accounting derivatives	2 119	2 119	–	2 945	2 945	–
Financial liabilities held for sale not reported at fair value	1	1	–	19	19	–
Other liabilities not reported at fair value	3	3	–	3	3	–
Other liabilities reported at fair value	1	1	–	1	1	–
Subordinated capital	4 074	3 780	294	4 164	3 984	180
<b>Total</b>	<b>157 760</b>	<b>155 351</b>	<b>2 409</b>	<b>168 667</b>	<b>165 398</b>	<b>3 269</b>

<sup>1)</sup> Amounts relating to risk provisioning are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.

<sup>2)</sup> 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.

A reliable fair value could not be determined for financial instruments amounting to €3 million (€39 million), as there is no active market for these financial instruments and the necessary estimates are not possible within a reasonable fluctuation range and with a reasonable likelihood of occurrence. All of these financial instruments are invest-

ments. The Group intends to retain these investments. During the reporting period, financial instruments whose at cost could not previously be determined reliably were measured for the first time with a fair value of €36 million (€0 million). The Fair Value of shares in companies (not consolidated) is conform with amortised cost.

The following table shows the breakdown of the assets and liabilities recognised in the balance sheet according to the fair value hierarchy::

(in € million)	Level 1		Level 2		Level 3		Total	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
<b>Assets</b>								
Assets held for trading	591	1 103	8 252	9 613	17	344	8 860	11 060
Debt securities and other fixed-interest securities	588	1 102	1 554	1 255	–	–	2 142	2 357
Shares and other non fixed-interest securities	2	1	–	–	–	–	2	1
Positive fair values from derivatives	1	–	4 813	5 559	–	–	4 814	5 559
Interest-rate risks	–	–	4 217	4 963	–	–	4 217	4 963
Currency risks	–	–	546	564	–	–	546	564
Share-price and other price risks	1	–	1	3	–	–	2	3
Credit derivatives	–	–	49	29	–	–	49	29
Trading portfolio claims	–	–	1 885	2 799	17	344	1 902	3 143
Financial assets as at fair value through profit or loss	1 040	854	545	612	–	–	1 585	1 466
Loans and advances to customers	–	–	193	203	–	–	193	203
Financial assets	1 040	854	352	409	–	–	1 392	1 263
Debt securities and other fixed-interest securities	1 040	854	352	409	–	–	1 392	1 263
Positive fair values from hedge accounting derivatives	–	–	1 540	2 327	–	–	1 540	2 327
Positive fair values from employed micro fair value hedge derivatives	–	–	1 137	1 576	–	–	1 137	1 576
Interest-rate risks	–	–	1 092	1 520	–	–	1 092	1 520
Currency risks	–	–	45	56	–	–	45	56
Positive fair values from employed portfolio fair value hedge derivatives	–	–	403	751	–	–	403	751
Interest-rate risks	–	–	403	751	–	–	403	751
Financial assets at fair value	6 868	9 207	18 540	19 204	370	369	25 778	28 780
Debt securities and other fixed-interest securities	6 703	9 011	18 530	19 197	2	3	25 235	28 211
Shares and other non fixed-interest securities	148	182	–	–	–	–	148	182
Shares in companies (not consolidated)	17	14	10	7	292	253	319	274
Other financial assets classified as AfS	–	–	–	–	76	113	76	113
Financial assets held for sale reported at fair value	–	–	15	121	–	9	15	130
Other financial assets reported at fair value	11	13	–	–	–	–	11	13
<b>Total assets</b>	<b>8 510</b>	<b>11 177</b>	<b>28 892</b>	<b>31 877</b>	<b>387</b>	<b>722</b>	<b>37 789</b>	<b>43 776</b>

(in € million)	Level 1		Level 2		Level 3		Total	
	30 Sep. 2017	31.12. 2016	30 Sep. 2017	31.12. 2016	30 Sep. 2017	31.12. 2016	30 Sep. 2017	31.12. 2016
<b>Liabilities</b>								
Trading liabilities	16	74	4 182	5 725	–	2	4 198	5 801
Negative fair values from derivatives relating to	5	2	4 047	5 701	–	2	4 052	5 705
interest-rate risks	–	1	3 191	3 861	–	1	3 191	3 863
currency risks	–	–	855	1 834	–	–	855	1 834
share-price and other price risks	5	1	1	1	–	–	6	2
credit derivatives	–	–	–	5	–	1	–	6
Delivery obligations from short-sales and other trading assets	11	72	135	24	–	–	146	96
Financial liabilities reported at fair value	499	–	8 501	9 235	10	20	9 010	9 255
Liabilities to banks	–	–	407	442	–	–	407	442
Liabilities to customers	–	–	5 718	5 939	–	–	5 718	5 939
Securitised liabilities	499	–	2 376	2 854	10	20	2 885	2 874
Negative fair values from hedge accounting derivatives	–	–	2 119	2 945	–	–	2 119	2 945
Negative fair values from employed micro fair value hedge derivatives	–	–	2 069	2 682	–	–	2 069	2 682
interest-rate risks	–	–	1 866	2 385	–	–	1 866	2 385
currency risks	–	–	203	297	–	–	203	297
Negative fair values from employed portfolio fair value hedge derivatives	–	–	50	263	–	–	50	263
interest-rate risks	–	–	50	263	–	–	50	263
Other financial liabilities reported at fair value	1	1	–	–	–	–	1	1
<b>Total liabilities and equity</b>	<b>516</b>	<b>75</b>	<b>14 802</b>	<b>17 905</b>	<b>10</b>	<b>22</b>	<b>15 328</b>	<b>18 002</b>

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

The designated assets held for sale at fair value are non-recurring fair value measurements (see Note (22) Assets held for sale).



The transfers within the fair value hierarchy are summarised as follows

1 Jan. - 30 Sep.2017 (in € million)	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
<b>Assets</b>						
Assets held for trading	92	-	45	-	-	-
Debt securities and other fixed- interest securities	92	-	45	-	-	-
Financial assets as at fair value through profit or loss	-	-	28	-	-	-
Financial assets	-	-	28	-	-	-
Debt securities and other fixed- interest securities	-	-	28	-	-	-
Financial assets at fair value	2 498	-	1 430	-	-	-
Debt securities and other fixed- interest securities	2 498	-	1 430	-	-	-
Trading liabilities	1	-	-	-	-	-
Delivery obligations from short-sales and other trading assets	1	-	-	-	-	-
Financial liabilities reported at fair value	-	-	501	-	-	-
Securitised liabilities	-	-	501	-	-	-

Asset-side financial instruments are allocated to a level on the basis of the individual transaction pursuant to HFA 47. This makes the classification of the financial instruments in the various levels more precise. Accordingly, (mixed) prices calculated by price service agencies, among others, on the basis of reported prices are to be assigned to Level 2. Broker prices must be taken from an “active market” so they can be assigned to Level 1. If there are too few broker prices or if these prices have significant bid-ask ranges or price differences, it is assumed that there is no active market.

As at the reporting date, the aforementioned situation primarily resulted in transfers between Level 1 and Level 2 compared to the end of the previous year.

When measuring structured own issues using the fair value option, the use of stock exchange prices is reviewed based on the reporting date. In the course of this review, there are generally transfers between Level 1 and Level 2 for individual issues due to changed trading activity.

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

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

(in € million)	Trading assets			
	Positive fair values from derivatives Currency risks		Trading portfolio claims and other trading assets	
	2017	2016	2017	2016
<b>1 Jan.</b>	-	1	344	64
Effect on the income statement <sup>1)</sup>	-	-	- 6	7
Addition from purchase or issuance	-	-	14	160
Disposal from sale	-	-	104	57
Repayment / exercise	-	-	231	6
<b>30 Sep.</b>	-	1	17	168
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement <sup>1)</sup>	-	-	-	8

<sup>1)</sup> The effects reported include measurement 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.

(in € million)	Financial assets at fair value					
	Debt securities and other fixed-interest securities		Shares in companies (not consolidated)		Other financial assets classified as AFS	
	2017	2016	2017	2016	2017	2016
<b>1 Jan.</b>	3	4	253	232	113	138
Effect on the income statement <sup>1)</sup>	-	-	7	-	15	- 2
Effect on the equity capital	-	-	9	21	- 1	-
Addition from purchase or issuance	-	-	36	15	-	-
Disposal from sale	-	-	12	16	-	7
Repayment / exercise	1	1	-	-	51	2
Effects of changes of foreign exchange rates	-	-	- 1	-	-	-
<b>30 Sep.</b>	2	3	292	252	76	127
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement <sup>1)</sup>	-	-	-	-	15	- 1

<sup>1)</sup> The effects reported include measurement 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 abgebildet.

(in € million)	Financial assets held for sale reported at fair value	
	2017	2016
<b>1 Jan.</b>	9	-
Reclassification	29	4
Disposal from sale	38	-
<b>30 Sep.</b>	-	4

(in € million)	Trading liabilities					
	Trading liabilities Interest-rate risk		Trading liabilities Currency risks		Trading liabilities Credit deriva- tives	
	2017	2016	2017	2016	2017	2016
<b>1 Jan.</b>	<b>1</b>	-	-	<b>1</b>	<b>1</b>	-
Effect on the income statement <sup>1)</sup>	-	-	-	- 1	-	-
Addition from purchase or issuance	-	1	-	-	-	-
Disposal from sale	1	-	-	-	1	-
<b>30 Sep.</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1)</sup> The effects reported include measurement 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.

(in € million)	Financial liabilities at fair value through profit or loss	
	Securitised liabilities	
	2017	2016
<b>1 Jan.</b>	<b>20</b>	<b>4</b>
Repayment / exercise	10	-
Addition from Level 2	-	16
<b>30 Sep.</b>	<b>10</b>	<b>20</b>

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

Product	Fair Value 30 Sep.2017  (in € million)	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	2	Fair Value	-	-
Interest-bearing bond (liabilities)	- 10	historical volatilities	8-200 %	24%
Participations	292	Discount rate	6-9 %	7%
Silent participations	76	Discount rate	11%	11%
Loans	17	Rating	Rating Class (25er DSGV- Skala) 6 - 12	Averaged Rating 7

A significant input parameter which cannot be observed on the market for the Level 3 fair value measurement of interest-bearing securities is the fair value itself because a lack of available market data requires the use of counterparty prices, which qualify as Level 3 input parameters. Sensitivity is approximated using a price change of 10 per cent and amounts to €0.2 million (€0.3 million). The aforementioned amount would have a corresponding impact on other income (OCI).

A significant input parameter which cannot be observed on the market for the fair value meas-

urement of investments is the discount rate. Significant changes to the input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was increased and decreased by 50 basis points respectively. Accordingly, a presumed change to the parameters based on the assumptions results in a change in the fair values of Level 3 investments by €15.0 million (€14.3 million) with a corresponding impact on other income (OCI).

A significant input parameter which cannot be observed on the market for the fair value measurement of silent participations is the discount

rate. Significant changes to the input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the discount rate was increased and decreased by 100 basis points respectively. Accordingly, a presumed change to the parameters based on the assumptions results in a change in the fair values of these Level 3 silent participations by € 2.6 million (€ 2.5 million) with a corresponding impact on other income (OCI).

A significant input parameter which cannot be observed on the market for the fair value measurement of loans is the internal rating. Significant changes to this input parameter result in a significantly higher or lower fair value. As part of the sensitivity analysis, the rating was increased and

decreased by one class respectively. Accordingly, a presumed change to the parameters based on the assumptions results in a change in the fair values of Level 3 loans by € 0.2 million (€ 2.1 million) with a corresponding impact on the income statement.

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

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

### (31) Derivative financial instruments

In contrast to the presentation in the balance sheet, the market values are shown before the netting pursuant to IAS 32.42.

(in € million)	Nominal values		Fair value positive		Fair value negative	
	30 Sep.2017	31 Dec.2016	30 Sep.2017	31 Dec.2016	30 Sep.2017	31 Dec.2016
Interest-rate risk	296 726	295 181	10 404	12 203	9 804	11 527
Currency risk	43 299	58 170	816	620	1 282	2 128
Share price and other price risks	203	213	2	3	5	2
Credit risk	2 416	2 758	49	29	-	6
<b>Total</b>	<b>342 644</b>	<b>356 322</b>	<b>11 271</b>	<b>12 855</b>	<b>11 091</b>	<b>13 663</b>

**(32) Disclosures concerning selected countries**

Unlike the exposure listed in the risk report (see interim management report), the following table shows the balance sheet values of transactions with respect to selected countries (incl. credit derivatives). The disclosures by country include regional governments, municipalities and state-related companies.

(in € million)	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
<b>Ireland</b>						
Country	-	-	-	-	20	23
Financing institutes / insurance companies	- 10	- 13	-	-	18	33
Companies / other	30	45	-	-	3	1
	<b>20</b>	<b>32</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>57</b>
<b>Italy</b>						
Country	4	4	78	86	904	920
Financing institutes / insurance companies	6	- 2	-	-	37	86
Companies / other	3	6	-	-	58	84
	<b>13</b>	<b>8</b>	<b>78</b>	<b>86</b>	<b>999</b>	<b>1 090</b>
<b>Portugal</b>						
Country	-	- 1	-	-	87	149
Financing institutes / insurance companies	-	- 1	-	-	8	1
Companies / other	1	-	-	-	11	13
	<b>1</b>	<b>- 2</b>	<b>-</b>	<b>-</b>	<b>106</b>	<b>163</b>

(in € million)	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
<b>Slowenia</b>						
Country	-	-	-	-	-	2
	-	-	-	-	-	2
<b>Spain</b>						
Country	32	34	-	-	185	198
Financing institutes / insurance companies	- 1	23	-	-	589	910
Companies / other	8	8	-	-	28	41
	<b>39</b>	<b>65</b>	-	-	<b>802</b>	<b>1 149</b>
<b>Hungary</b>						
Country	-	-	-	-	106	112
	-	-	-	-	<b>106</b>	<b>112</b>
<b>Cyprus</b>						
Companies / other	7	8	-	-	-	-
	<b>7</b>	<b>8</b>	-	-	-	-
<b>Total</b>	<b>80</b>	<b>111</b>	<b>78</b>	<b>86</b>	<b>2 054</b>	<b>2 573</b>

For the financial instruments categorised as available for sale with acquisition costs totalling € 1 882 million (€ 2 330 million), the cumulative valuation result reported in equity for the selected

countries totals € 210 million (€ 102 million). In addition, no depreciations were recognised in the income statement during the period.

(in € million)	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair Value	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
<b>Egypt</b>								
Companies / other	73	44	-	-	-	-	73	45
	<b>73</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>45</b>
<b>Greece</b>								
Companies / other	6	6	-	-	-	-	5	6
	<b>6</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>6</b>
<b>Ireland</b>								
Financing institutes / insurance companies	174	126	-	-	-	-	175	127
Companies / other	2 087	2 499	-	-	-	2	2 083	2 524
	<b>2 261</b>	<b>2 625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2 258</b>	<b>2 651</b>
<b>Italy</b>								
Financing institutes / insurance companies	76	78	-	-	-	-	63	63
Companies / other	257	290	-	-	-	-	261	291
	<b>333</b>	<b>368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>324</b>	<b>354</b>
<b>Portugal</b>								
Companies / other	18	21	-	-	-	-	18	21
	<b>18</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>21</b>
<b>Russia</b>								
Financing institutes / insurance companies	100	131	-	-	-	-	100	131
Companies / other	65	66	-	-	-	-	65	63
	<b>165</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165</b>	<b>194</b>

(in € million)	Loans and Receivables							
	Gross book value		Specific valuation allowances		General loan loss provisions		Fair Value	
	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016	30 Sep. 2017	31 Dec. 2016
<b>Spain</b>								
Country	51	51	-	-	-	-	52	53
Financing institutes / insurance companies	19	69	-	-	-	-	19	69
Companies / other	148	168	-	30	-	-	142	166
	<b>218</b>	<b>288</b>	-	<b>30</b>	-	-	<b>213</b>	<b>288</b>
<b>Hungary</b>								
Financing institutes / insurance companies	6	5	-	-	-	-	7	5
Companies / other	20	27	-	-	-	-	20	27
	<b>26</b>	<b>32</b>	-	-	-	-	<b>27</b>	<b>32</b>
<b>Cyprus</b>								
Companies / other	937	1 053	-	31	11	20	710	844
	<b>937</b>	<b>1 053</b>	-	<b>31</b>	<b>11</b>	<b>20</b>	<b>710</b>	<b>844</b>
<b>Total</b>	<b>4 037</b>	<b>4 634</b>	-	<b>61</b>	<b>11</b>	<b>22</b>	<b>3 793</b>	<b>4 435</b>

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio totals € 150 million (€ 812 million). Of this amount, sovereigns account for € 0 million (€ 378 million), financing institutions/insurance

companies for € 20 million (€ 341 million) and companies/others for € 130 million (€ 94 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € 3 million (€ -1 million).



## Other notes

### (33) Regulatory data

The following regulatory Group data for the reporting data have been determined in accordance with the provisions of EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR).

(in € million)	30 Sep.2017	31 Dec.2016
<b>Total risk exposure amount</b>	<b>51 776</b>	<b>59 896</b>
Capital requirements for credit risk	3 383	4 145
Capital requirements for operational risks	442	409
Capital requirements for market risks	248	166
Capital requirements for loan amount adjustments	69	72
<b>Capital requirements</b>	<b>4 142</b>	<b>4 792</b>

The following overview shows the composition of the regulatory capital for the Group pursuant to Art. 25 ff. CRR:

(in € million)	30 Sep.2017	31 Dec.2016
Paid-up capital including premium	4 930	4 930
Reserves	1 475	1 439
Eligible components of CET 1 capital at subsidiaries	-	207
Other components of CET 1 capital	- 151	- 68
- Deductible items (from CET 1 capital)	- 463	- 580
Adjustments due to transition rules	180	825
<b>Common Equity Tier 1 capital</b>	<b>5 971</b>	<b>6 752</b>
Paid-up instruments of AT 1 capital	50	-
Grandfathered AT1 instruments	443	451
Eligible components of AT 1 capital at subsidiaries	-	24
Adjustments due to transition rules	- 53	- 105
<b>Additional Tier 1 capital</b>	<b>440</b>	<b>369</b>
<b>Tier 1 capital</b>	<b>6 411</b>	<b>7 122</b>
Paid-up instruments of Tier 2 capital	2 762	2 568
Eligible components of Tier 2 capital at subsidiaries	-	282
Other components of Tier 2 capital	-	267
- Deductible items (from Tier 2 capital)	- 10	- 10
Adjustments due to transition rules	- 429	- 452
<b>Tier 2 capital</b>	<b>2 323</b>	<b>2 656</b>
<b>Own funds</b>	<b>8 733</b>	<b>9 777</b>

(in %)	30 Sep.2017	31 Dec.2016
Common equity tier 1 capital ratio	11,53%	11,27%
Tier 1 capital ratio	12,38%	11,89%
Total capital ratio	16,87%	16,32%

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

**(34) Contingent liabilities and other obligations**

	30 Sep.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
<b>Contingent liabilities</b>			
Liabilities from guarantees and other indemnity agreements	3 825	4 114	- 7
Other contingent liabilities	25	-	-
	<b>3 850</b>	<b>4 114</b>	<b>- 6</b>
<b>Other obligations</b>			
Irrevocable credit commitments	9 410	10 418	- 10
<b>Total</b>	<b>13 260</b>	<b>14 532</b>	<b>- 9</b>

**(35) Other financial obligations**

In March 2017, Bremer Landesbank increased one of its synthetic securitisation transactions by € 1 958 million. As at 30 September 2017, the volume of the transaction, which is based on a credit portfolio comprised of the asset classes renewable energies, corporate customers, community real estate, commercial real estate and leasing, is € 4 513 million. As part of the increase, the first-loss tranche that had already been placed was increased by € 46 million to € 140 million. As a result, the expense from the guarantee contract is € 17 million for the current financial year. Fee payments of € 18 million are expected for the following year.

In addition, the NORD/LB Group concluded a guarantee contract with an external third party with effect as at 5 April 2017. The guarantee is for a portfolio of loan receivables with a total volume of € 11 million, and it hedges against the default risk of the first-loss tranche (in an initial amount of € 103 million). The default risk of the mezzanine tranche of the portfolio has already been hedged with an external guarantee. The guarantee fees for the current financial year are € 46 million; expenses of € 39 million are expected for the following year.

**(36) Related parties**

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

30 Sep.2017	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
(in € million)						
<b>Assets</b>						
<b>Loans and advances to banks</b>	-	-	-	182	-	64
of which: money market transactions	-	-	-	21	-	-
of which: loans	-	-	-	155	-	64
of which: public-sector loans	-	-	-	155	-	35
other loans	-	-	-	-	-	29
<b>Loans and advances to customers</b>	1 943	4	-	315	1	387
of which: loans	1 896	4	-	315	1	387
public-sector loans	1 896	-	-	13	-	370
mortgage-backed loans	-	-	-	89	1	3
other loans	-	4	-	213	-	14
<b>Financial assets at fair value through profit or loss</b>	450	-	-	42	-	1
of which: Debt securities and other fixed-interest securities	125	-	-	-	-	-
of which: Positive fair values from derivatives	69	-	-	42	-	1
of which: Trading portfolio claims	256	-	-	-	-	-
<b>Positive fair values from hedge accounting derivatives</b>	94	-	-	-	-	-
<b>Financial assets</b>	1 243	-	-	17	-	-
of which: Debt securities and other fixed-interest securities	1 243	-	-	-	-	-
of which: Shares and other non fixed-interest securities	-	-	-	17	-	-
<b>Other assets</b>	85	-	-	-	-	-
<b>Total</b>	<b>3 815</b>	<b>4</b>	<b>-</b>	<b>556</b>	<b>1</b>	<b>452</b>

30 Sep.2017	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
(in € million)						
<b>Liabilities</b>						
<b>Liabilities to banks</b>	-	-	-	259	-	115
of which: money market transactions	-	-	-	-	-	10
davon: Einlagen von anderen Banken	-	-	-	-	-	30
<b>Liabilities to customers</b>	804	44	-	237	3	638
of which: saving deposits	-	-	-	-	1	-
of which: money market transactions	450	1	-	18	-	95
<b>Securitised liabilities</b>	-	-	-	-	-	1
<b>Financial liabilities at fair value through profit or loss</b>	65	-	-	4	-	215
of which: negative fair values from derivatives	35	-	-	4	-	-
<b>Subordinated capital</b>	1	50	-	-	-	16
<b>Total</b>	<b>870</b>	<b>94</b>	<b>-</b>	<b>500</b>	<b>3</b>	<b>985</b>
Guarantees / sureties received	226	-	-	-	-	-
Guarantees / sureties granted	-	-	-	36	-	8
<b>1 Jan. - 30 Sep.2017</b>						
(in € million)						
Interest expenses	32	6	-	14	-	11
Interest income	94	-	-	9	-	13
Commission income	1	-	-	-	-	-
Other income and expenses	11	1	-	-	- 4	22
<b>Total contributions to income</b>	<b>74</b>	<b>- 5</b>	<b>-</b>	<b>- 5</b>	<b>- 4</b>	<b>24</b>

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

31 Dec.2016	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
(in € million)						
<b>Liabilities</b>						
<b>Liabilities to banks</b>	-	-	-	343	-	119
davon: Einlagen von anderen Banken	-	-	-	-	-	30
<b>Liabilities to customers</b>	984	46	1	305	4	757
of which: saving deposits	-	-	-	-	1	-
of which: money market transactions	612	1	-	36	-	109
<b>Securitised liabilities</b>	-	-	-	-	-	1
<b>Financial liabilities at fair value through profit or loss</b>	84	-	-	8	-	285
of which: negative fair values from derivatives	59	-	-	8	-	-
<b>Subordinated capital</b>	1	129	-	-	-	15
<b>Total</b>	<b>1 069</b>	<b>175</b>	<b>1</b>	<b>656</b>	<b>4</b>	<b>1 177</b>
Guarantees / sureties received	308	-	-	-	-	-
Guarantees / sureties granted	-	-	-	35	-	3
<b>1 Jan. - 30 Sep.2016</b>	<b>Companies with significant influence</b>	<b>Subsidiaries</b>	<b>Joint Ventures</b>	<b>Associated companies</b>	<b>Persons in key positions</b>	<b>Other related parties</b>
(in € million)						
Interest expenses	28	6	-	15	-	11
Interest income	94	-	-	9	-	18
Other income and expenses	- 27	-	-	- 9	- 5	- 8
<b>Total contributions to income</b>	<b>39</b>	<b>- 6</b>	<b>-</b>	<b>- 15</b>	<b>- 5</b>	<b>- 1</b>

As at the reporting date, there are valuation allowances for liabilities to associates in the amount of € 2 million (€ 2 million).

**(37) Basis of consolidation**

Company name and registered office	Shares (%) indirect	Shares (%) direct
<b>Subsidiaries included in the consolidated financial statements</b>		
BGG Bremen GmbH & Co. KG, Bremen	100.00	-
BGG Marktcarré GmbH & Co. KG, Bremen	100.00	-
BLB Immobilien GmbH, Bremen	-	100.00
BLB Leasing GmbH, Oldenburg	-	100.00
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover	-	100.00
GBH Beteiligungs-GmbH, Bremen	-	100.00
KreditServices Nord GmbH, Braunschweig	-	100.00
Nieba GmbH, Hannover	-	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hannover	-	100.00
NORD/LB Asset Management AG, Hannover	100.00	-
NORD/LB Asset Management Holding GmbH, Hannover	-	100.00
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	-	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	-
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	100.00	-
TLN-Beteiligung Anstalt öffentlichen Rechts & Co. KG, Hannover	-	100.00
<b>Special Purpose Entities included in the consolidated financial statements</b>		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	-	-
Fürstenberg Capital Erste GmbH, Fürstenberg	-	-
Fürstenberg Capital II GmbH, Fürstenberg	-	-
Hannover Funding Company LLC, Dover (Delaware) / USA	-	-
KMU Gruppe		
GEBAB Ocean Shipping III GmbH & Co. KG, Hamburg	-	-
KMU Shipping Invest GmbH, Hamburg	-	-
MT "BALTIC CHAMPION" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	-	-
MT "NORDIC STAR" Tankschiffahrtsgesellschaft mbH & Co. KG, Hamburg	-	-
"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	-	-
Sojourner Gruppe		
Callisto Beteiligungsgesellschaft mbH Co.KG, Hamburg	-	-
Ganymede Beteiligungsgesellschaft mbH & Co.KG, Hamburg	-	-
Hyperion Tankschiffahrtsgesellschaft mbH & Co.KG, Hamburg	-	-
Rhea Tankschiffahrtsgesellschaft mbH & Co.KG, Hamburg	-	-
Titan Tankschiffahrtsgesellschaft mbH & Co.KG, Hamburg	-	-
<b>In den Konzernabschluss einbezogene Investmentfonds</b>		
NORD/LB AM ALCO	-	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
<b>Companies / investment funds accounted for in the consolidated financial statements using the equity method</b>		
<b>Joint ventures</b>		
caplantic GmbH, Hannover	–	45.00
<b>Associated companies</b>		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	–	32.26
GSG OLDENBURG Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	–	22.22
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	–	44.00
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
Öffentliche Lebensversicherung Braunschweig, Braunschweig <sup>1)</sup>	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig <sup>1)</sup>	–	75.00
Toto-Lotto Niedersachsen GmbH, Hannover	49.85	–
<b>Investment funds</b>		
Lazard-Sparkassen Rendite-Plus-Fonds	–	49.18
<b>After IFRS 5 valuated companies</b>		
<b>Subsidiaries</b>		
Nordic Stralsund Ltd., Majuro (Marshallinseln)	–	–
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–

<sup>1)</sup> This company is classified as an associate due to its structure under company law.

### (38) Subsequent events

Based on the legal merger with effect from 31 August 2017, the organisational integration of Bremer Landesbank with NORD/LB will proceed. This is the first step in the Group-wide transformation programme known as "One Bank", which aims to create a business model with no overlaps and an operating model adapted in line with this

business model and to simplify the Group's structure. Additional packages of measures will be defined and implemented. The "One Bank" transformation programme also aims to achieve long-term cost savings of as much as € 200 million by the end of the year 2020, with a reduction of up to 1 250 jobs.



## Other Information

98	Members of Governing Bodies
99	Forward-looking Statements

## Members of governing bodies

### 1. Members of the Managing Board

Thomas S. Bürkle  
(Chairman, since 1 January 2017)  
Dr. Hinrich Holm  
(First Deputy Chairman, since 1 January 2017)  
Ulrike Brouzi

Christoph Dieng  
(since 3 February 2017)  
Christoph Schulz  
Günter Tallner  
(since 3 February 2017)

### 2. Members of the Supervisory Board

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

Ulrich Mägde  
Mayor of the Hanseatic City of Lüneburg

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

Ulrich Markurth  
Mayor of Braunschweig

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

Ludwig Momann  
Chairman of the Managing Board,  
Sparkasse Emsland

Frank Berg  
Chairman of the Managing Board,  
Ostsee Sparkasse Rostock

Felix von Nathusius  
Entrepreneur

Norbert Dierkes  
Chairman of the Managing Board,  
Sparkasse Jerichower Land

Antje Niewisch- Lennartz  
Justice Minister of Lower Saxony

Edda Döpke  
Bank employee,  
NORD/LB Hanover

Frank Oppermann  
Bank employee,  
NORD/LB Hannover

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

Freddy Pedersen  
Trade union secretary  
ver.di Trade Union

Frank Hildebrandt  
Bank employee,  
NORD/LB Braunschweig

Jörg Reinbrecht  
Trade union secretary  
ver.di Trade Union

Prof. Dr. Susanne Knorre  
Management Consultant

Stefanie Rieke  
Bank employee,  
NORD/LB Magdeburg

## Forward-looking Statements

This report contains forward-looking statements. They can be recognised in terms such as “expect”, “intend”, “plan”, “endeavour” and “estimate”, and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence our business and are beyond our control. These include, in particular, the development of financial

markets and changes in interest rates and market prices. Actual results and developments may therefore differ considerably from the assumptions made in the report. NORD/LB accepts no responsibility for the forward-looking statements and also does not intend to update or correct them if developments materialise that are different than those expected.





### **2017/2018 financial calendar**

29 November 2017 Publication of the figures as at 30 September 2017  
17 April 2018 Publication of the figures as at 31 December 2017

Our annual and interim reports are available for download at [www.nordlb.de/reports](http://www.nordlb.de/reports) and can be ordered by sending an email to [geschaeftsbericht@nordlb.de](mailto:geschaeftsbericht@nordlb.de).

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

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

In total, there are more than 100 branches and SB centres in the Braunschweigische Landessparkasse business region.

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

### **Foreign branches**

London, New York, Singapore, Shanghai

### **Significant investments**

Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover  
NORD/LB Asset Management Holding AG, Hanover  
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel

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