NORD/LB
Die norddeutsche Art.

Strategic Action.

Interim Report as at June 30, 2017

Finanzgruppe

NORD/LB at a glance

Income Statement	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Net interest income	731	929	– 21
Loan loss provisions	446	1 003	– 56
Net commission income	68	117	– 42
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	164	277	– 41
Profit/loss from financial assets	66	71	– 7
Profit/loss from investments accounted for using the equity method	27	– 7	> 100
Administrative expenses	601	572	5
Other operating profit/loss	404	– 168	> 100
Earnings before reorganisation and taxes	**413**	**– 356**	**> 100**
Reorganisation expenses	4	8	– 50
Earnings before taxes	**409**	**– 364**	**> 100**
Income taxes	138	42	> 100
Consolidated profit	**271**	**– 406**	**> 100**

Key figures	1 Jan. - 30 Jun. 2017 (in %)	1 Jan. - 30 Jun. 2016 (in %)	Change (in %)
Cost-Income-Ratio (CIR)	43,1%	49,8%	– 13
Return-on-Equity (RoE)	15,0%	-8,9%	> 100

Balance figures	30 Jun. 2017 (in € million)	30 Jun. 2016 (in € million)	Change (in %)
Total assets	169 175	174 797	– 3
Customer deposits	56 877	57 301	– 1
Customer loans	99 581	105 640	– 6
Equity	6 334	6 041	5

Regulatory key figures	30 Jun. 2017 (in € million)	30 Jun. 2016 (in € million)	Change (in %)
Common equity tier 1 capital	6 104	6 752	– 10
Tier 1 capital	6 496	7 122	– 9
Tier 2 capital	2 065	2 656	– 22
Own funds	8 561	9 777	– 12
Total risk exposure amount	53 207	59 896	– 11
Common equity tier 1 capital ratio (in %)	11,47%	11,27%	2
Total capital ratio (in %)	16,09%	16,32%	– 1

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

Interim Group Management Report as at 30 June 2017

The Group – basic information

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, Hanover (Sparkassenverband Niedersachsen, referred to below as SVN), the Holding Association of the Savings Banks of Saxony-Anhalt (Sparkassenbeteiligungsverband Sachsen-Anhalt) and the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania (Sparkassenbeteiligungs-zweckverband Mecklenburg-Vorpommern).

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

NORD/LB is a commercial bank, landesbank (federal state bank) and central bank for the savings banks operating in northern Germany and beyond this core region, with domestic branches in Hamburg, Munich, Düsseldorf, Schwerin and Stuttgart. The branches in the key international financial and trading centres of London, New York and Singapore play a key part 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 the Mecklenburg-Western Pomerania Promotion Institute, a business division of Norddeutsche Landesbank Girozentrale.

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

In the NORD/LB Group, NORD/LB acts as the parent company, controlling all of the business activities in line with the strategic objectives, creating synergies, reinforcing the customer divisions and bundling service offerings. Other members of the NORD/LB Group include:

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

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

Strategic development of NORD/LB

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

Based on the general economic environment, NORD/LB will continue to pursue its chosen course, with its proven customer-oriented business model and risk-conscious business strategy. The business model gears business activities consistently to 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 management system offers a comprehensive view of the Bank's profitability, equity, risk, liquidity and asset quality. The central aim of this system is to optimise the Bank's profitability while simultaneously ensuring adequate capital and liquidity. The focus is on standardised and integrated management reporting during the year; this includes deviation analyses and extrapolations as at the respective quarter and year-end, as well as utilisation of early warning and restructuring thresholds. For this reason, the previous internal reporting was expanded at the start of financial year 2017 to include an integrated management and restructuring cockpit.

Another key management tool is the annual strategy and planning process. In 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 on the basis of 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. Key figures applied consistently to assess profitability are: earnings before taxes, the cost-income ratio (CIR) and the return on equity (RoE); also, at 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 primarily carried out on the basis of the Common Equity Tier 1 capital ratio, the Tier 1 capital ratio and the total capital ratio in accordance with EU Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation, CRR). Details regarding the ratios used for equity management and the measures taken can be found in the “Equity management” section. In addition, the leverage ratio and the absolute ratios necessary 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 risk bearing capacity management, 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 the NORD/LB's payment and funding ability at all times. Liquidity risks are limited using defined scenarios and these limits are monitored daily. Further information can be found in the description of risk management and in the risk report.

Risk management

The NORD/LB Group's risk management and the corresponding structural and process organisation, the procedures implemented, the risk measurement and monitoring methods 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

General economic and industry-specific environment

Economic environment

The first half of 2017 saw a significant overall improvement in global economic conditions. Economic growth in the USA was no more than modest in the first quarter, but this was followed by a marked upturn in spring. After price-related and seasonal adjustments, the second quarter's gross domestic product (GDP) rose by 2.6 per cent on an annualised basis. The People's Republic of China (PRC) also remained on a steady growth trajectory during the same period, with an annual growth rate of 6.9 per cent.

The economic upswing in the eurozone gained strength and breadth during the first half of the year. After adjusting for seasonal fluctuations, the first two quarters saw year-on-year increases in real gross domestic product of 0.5 and 0.6 per cent respectively. The annual rate climbed to 2.1 per cent by mid-2017. While Italy's recovery continued at a moderate pace, momentum in the other major economies was maintained at a very high level in the second quarter. In addition to private and public-sector spending, the eurozone experienced positive growth impulse as a result of investment activity. Exports also trended positively thanks to robust global demand. Domestic demand was bolstered by the continuous decline in the unemployment rate to 9.2 per cent in May. Under-employment recently fell to its lowest level since March 2009. Corporate and consumer sentiment is currently better than it has been for years. The strong and robust economic upturn in the eurozone is underscored by numerous indicators. At just below 1.5 per cent, however, the inflation rate is still hovering below the ECB's target.

The German economy posted significant growth in the first half of 2017. After a very dynamic start, Germany's economy carried the strong dynamics from the beginning of the year forward into spring. In the first quarter of 2017, real gross domestic product showed year-on-year growth of 0.6 per cent, and the figure for the second quarter may even be somewhat higher. Yet again, consumer spending was a reliable cornerstone of growth, while exports and (most recently) investments also trended favourably. Robust construction activity was no longer the main driver of this development: investments in machinery and equipment were also stepped up in the first half. Vigorous domestic demand is benefiting from the moderate inflation rate that still prevails at present, and from the continuing improvement in the state of the labour market. New employment records are being set month after month; after adjusting for seasonal factors, almost 44.2 million persons were in gainful employment during May.

In the first half-year, capital markets were impacted by the divergent monetary policy strategies pursued by the central banks in Washington and Frankfurt. As expected, the US Fed implemented moderate increases in the Fed Funds Target Rate in March and June, with hikes of 25 basis points in each case. Following clear advance communications by the US Fed, the financial markets had already anticipated these monetary policy measures. The Federal Reserve also held out prospects of a further key rate increase in the second half, accompanied by active initial steps to reduce the balance sheet. In the eurozone, the European Central Bank (ECB) continued its very expansive monetary policy in the first half of 2017. The eurozone's sound economic health and another slight increase in inflation have nevertheless prompted discussion as to when the ECB might gradually begin to exit its expansive monetary policy. As announced in December, the ECB has been reducing the volume of its offensive expanded asset purchase programme (EAPP) since April. In line with expectations, however, there have thus far been no changes to the EAPP or even to key interest rates. The output gap is closing slowly, but the trend of inflation remains subdued at present. Against this background, the ECB still sees the need for a high level of support through an accommodating monetary policy. On 27 June, the current ECB president startled the markets with his speech in Sintra, which triggered major market movements. This gave a massive boost to the euro and capital market yields – despite the ECB's immediate attempts at appeasement. Yields on European government bonds have shown significant increases, primarily in the long-term segment; for a brief period in July, 10-year Bunds were yielding returns above the 0.60 per cent mark. Sending out a new message, the ECB stated that inflation was mainly being curbed by temporary factors at present. The bank also pointed out that the degree of expansion resulting from an unchanged monetary policy increases in response to an upswing. The ECB Council will decide on the future of the EAPP in autumn. With the outlook for the deposit facility rate stable, money market rates remained in negative territory with almost no changes. The US dollar ceased to benefit from US monetary policy, causing it to depreciate considerably against the euro. Political turmoil in Washington has since resulted in a distinctly weak greenback. EUR/USD basis swap spreads had already narrowed by the end of the first quarter of 2017 and for all maturities, they remained almost entirely within a bandwidth of -35 to -30 basis points until the middle of the year. This very stable trajectory reflects the fact that in the recent past, US dollar liquidity was only utilised to a comparatively minor extent through the cross currency basis swap market.

Aircraft

According to calculations by the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) increased by 7.9 per cent year-on-year in the first five months of 2017. Growth rates were 8.3 per cent for international traffic and 7.3 per cent for domestic traffic. There were clear geographical differences in these transport trends. Passenger traffic showed above-average performance in the following regions: Asia/Pacific (10.5 per cent), Europe (8.7 per cent), Africa (8.5 per cent) and the Middle East (8.0 per cent). Thus far, geopolitical uncertainties have had only a temporary impact (and regionally limited on the global growth of passenger traffic). Instead, growth has mainly been supported by the global economic recovery and cheaper flights resulting from low oil prices.

The number of freight tonne kilometres (FTK) sold rose by 10.2 per cent in the first five months of 2017 compared to the same period in the prior year. Measured in terms of market share, the growth drivers were air freight companies in Europe and the Asia/Pacific region, with year-on-year increases of 13.4 per cent and 9.9 per cent respectively. This growth was due to the improved state of the global economy coupled with strong demand for express air freight as a result of the boom in e-commerce.

Shipping

The second quarter was again marked by volatility on the global shipping markets. From mid-February onwards, the dry bulk sector saw a significant upturn in demand following the Chinese new year festivities, but the trend reversed again at the start of the second quarter. This was reflected in the Baltic Dry Index, which had shed almost one third of its value by the end of June. The initially robust start to the year meant that fewer bulk carriers were scrapped. Although this sector lost momentum in the second quarter, there were no signs of an upswing on the scrap market. The total tonnage taken off the market was 1.1 million dwt less than the figure for the first quarter of 2017.

In April, the container sector experienced an initial impact from the ongoing recovery in the charter market. This caused a significant reduction in the idle fleet, with volume down by more than one half from the figure of some 1.1 million TEU at the start of the quarter. By the end of June, only 2.6 per cent of the global container fleet was laid up. Charter rates rose in response to demand from the major liner shipping companies in the run-up to the launch of new alliances at the start of the quarter, but these increases were not sustained. Especially in sub-segments above the feeder classes (up to 3,000 TEU) rate levels declined significantly again by the end of the quarter. However, this temporary phase of positive development also put pressure on scrapping activity. There was a sharp decline in the pace of container tonnage scrapping during the reporting period. At the end of May, OPEC found itself unable to reduce output any further. Instead, the existing target was confirmed and certain countries such as Libya and Nigeria were even exempted from conditions. Regardless of these developments, production in the USA continued to increase as the quarter went on, leaving no leeway at all for higher oil prices on the global market. Geopolitical tensions centred on Qatar also failed to impact the price of oil. New crude oil tanker deliveries remained consistently high again in the second quarter, while only a few tankers found their way to the scrapyards. In the absence of an upturn in global demand for oil, freight and charter rate levels remained correspondingly low between May and June.

Real Estate

Throughout the world, the first half of 2017 was characterised by political turmoil which, in turn, led to uncertainty. Even so, global investments in commercial real estate continued to show stable development. In the first half of 2017, the global transaction volume was around $ 297 billion, equivalent to a slight increase (of 2 per cent) as compared to the first half of 2016 ($ 290 billion). The transaction volume in the USA fell by 10 per cent to $ 110 billion (prior year: $ 122 billion), whereas the EMEA region posted an increase of 7 per cent to $ 114 billion (prior year. $ 106 billion). In Europe, noteworthy transaction volumes were reported in particular by the Netherlands, with an increase of 53 per cent to $ 6.7 billion (prior year: $ 4.4 billion) and Spain, with an increase of 51 per cent to $ 5.9 billion (prior year: $ 3.9 billion). The United Kingdom retained its first place for transaction volume with an increase of 4 per cent to $ 33.1 billion (prior year: $ 31.9 billion). Once again, this achievement was driven by London. As in the past, the British capital achieved the highest sales volume in the international ranking of the Top 20 Cities.

In Germany, the uptrend on the commercial investment market continued in the first half of 2017. The commercial transaction volume rose significantly by 47 per cent to € 25.8 billion (prior year: € 17.6 billion).

Once again, office properties (with a transaction volume of € 10.2 billion or a share of 39 per cent) were easily the asset class generating the heaviest demand. Taking second place for the first time, logistics real estate posted a share of 22 per cent. With many years of rental growth in the retail sector coming to an end, retail real estate only achieved third place, with a share of 19 per cent. The Big Seven (Berlin, Hamburg, Munich, Cologne, Frankfurt am Main, Stuttgart and Düsseldorf) accounted for € 12.4 billion or 48 per cent of the transaction volume for Germany as a whole in the first half of 2017. This corresponds to an increase of 30 per cent as compared to the first half of 2016. Given the low level of interest rates, there was no let-up in pressure on yields across all asset classes.

Financial sector

The European banking market has been in a state of profound change for many years. This has been triggered by various external factors: in particular, changes resulting from the financial market crisis such as weaker economic growth, very low interest rates and increasing regulation. In addition, the continuing digitalisation of the economy is having an ever greater impact on the banking sector. Taken together, these factors have led to a reduction in the number of banks in the EU over the years.

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

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

In addition to the expense of restructuring programmes that are under way, this is due to a sharp rise in costs resulting from ever stricter regulatory requirements and investments in IT structures, related in part to ongoing digitalisation. 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, NORD/LB itself numbers among the ten largest banks in Germany. It has a good market position in its business with small and medium-sized companies in Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania, and in its business with private clients in the Braunschweig region. NORD/LB is among the world's largest ship and aircraft financiers, and has extensive expertise in the renewable energies segment.

As the top supervisory authority for the European financial market, the ECB is ramping up its regulatory activities. As a result – and accompanied by statutory changes related to the introduction of resolution mechanisms – the requirements regarding the maintenance of loss absorbing capacity (equity and debt instruments) will continue to increase. In this connection, it will be particularly important to keep track of 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 prudential requirements for credit institutions and investment firms (CRR), NORD/LB must, at both the individual institution level and at Group level, comply with legally prescribed minimum equity ratios for the prudential capital ratios of Common Equity Tier 1 capital, Tier 1 capital and own funds, and must maintain 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 institution of systemic importance, must also maintain a capital buffer for other institutions of systemic importance of 0.33 per cent. Both capital buffers must be comprised of Common Equity Tier 1 capital.

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

	Common (in € million) 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
Total requirement	**8,33**	**9,83**	**11,83**
30 Jun.2017	**11,47**	**12,21**	**16,09**

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

As already announced in the 2016 Annual Report, the decline in the Common Equity Tier 1 capital ratio in the first quarter of 2017 was compensated in part during the second quarter of 2017 by a reduction of the total risk exposure amount.

Integration of Bremer Landesbank

On 7 November 2016, 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.

In connection with the acquisition of all shares by NORD/LB, the two companies concluded a control agreement with loss pass-through rights that was approved by their owners. In addition, NORD/LB issued an unrestricted letter of comfort in favour of BLB. In addition to extensive measures to integrate BLB into the organisation, the legal merger is due to take place as of 31 August 2017 (reporting date).

A capital increase was implemented during the current financial year in order to strengthen BLB's capital reserves and reduce pressure on its prudential capital ratios, and 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 submitted to the regulatory authority; this request has already received approval.

In the future, NORD/LB as the ultimate parent company will be 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 installation of processes to identify, assess, manage, monitor and communicate risks (§ 25a para. 1 sentence 3 No. 1 KWG). As an additional measure to free up regulatory equity, BLB also increased a synthetic securitisation transaction during the reporting period. This involved increasing the first-loss tranche already placed.

„One Bank“

NORD/LB launched the Group-wide One Bank transformation programme in the first quarter of 2017. This focuses on a seamless business model that aims to place more emphasis on the Group's core business areas in the future than in the past. Given this objective, qualitative expansion of the Corporate and Private Clients, Markets and Project Financing business areas is to be implemented. One Bank also makes provision for an expansion of NORD/LB's already strong market position in financing future business areas, such as infrastructure and renewables. At the same time, redimensioning of the ship loan portfolio will be driven ahead on a differentiated basis. An operational model adapted to these objectives will aim to optimise processes and IT applications across all divisions, with the focus on value-adding activities. As the first step, the new Shipping Portfolio Optimisation (SPO) unit was set up on 1 July 2017, grouping together the key ship finance activities. In addition, another new unit – Bank Management and Transformation – is to take overall responsibility for the transformation programme in the future. It will also include the competencies for the management of general bank KPIs by Finance and Cost Controlling.

In this context, a review is in progress of simplifications to the Group structure; this entails close scrutiny of all the Group's units. Measures will be gradually specified and implemented on the basis of the project plan now in place for the One Bank programme. The full integration of Bremer Landesbank into NORD/LB is the first step in the One Bank programme. Provision was made in the 2016 consolidated financial statements for the costs forecast for this purpose at that time. Additional goals of the transformation programme are to implement sustainable cost savings of up to € 200 million by the end of 2020 and to reduce the headcount by as many as 1,250 positions for this purpose. The staff reductions will be handled in the most socially responsible way possible. In the second quarter of 2017, NORD/LB initiated discussions with the employee representative body regarding a future safeguarding agreement. An agreement is expected in the third quarter of 2017. Before the planned savings effects from the One Bank transformation programme can be achieved, a short-term increase in reorganisation expenses must be expected in the Group. On the basis of adequate specification of the individual measures, this increase will be taken into account by forming provisions in the Consolidated Financial Statements.

Rating downgrade

At the end of the first half, the Moody’s Investors Service rating agency reduced NORD/LB's long-term issuer rating to Baa3, following the rating downgrade in April of this year. The reason for this was a deterioration of the financial strength rating (Baseline Credit Assessment). The outlook was set to negative.

NORD/LB has already introduced a range of measures in order to reduce the ship finance portfolio, improve profitability and sustainably strengthen the capital ratio. These measures are not yet reflected in the rating downgrade, although they have already brought about some initial successes such as the positive consolidated profit in the first quarter of 2017 and the successful reduction of the ship finance portfolio.

NORD/LB's business activities on the money, FX and capital markets are continuing as normal. Current funding activities are in line with the funding plan for 2017, which has therefore required no adjustment thus far. Regular reviews are undertaken.

Judgment of the Federal Court of Justice

On 4 July 2017, the Federal Court of Justice (Bundesgerichtshof, BGH) ruled in two cases that processing fees not based on specific maturities are ineffective in loan agreements concluded between banks and companies. The same ruling was already handed down in 2014 in respect of calculated processing fees for loan agreements between banks and consumers. Appropriate provisions were therefore formed for the repayment of the calculated processing fees.

Report on the earnings, assets and financial position

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

Earnings position

The NORD/LB Group posted positive earnings before taxes of € 409 million in the first six months of the reporting year. The figures for the income statement are summarised as follows:

	1 Jan. - 30 Jun.2017 (in € million)	1 Jan. - 30 Jun.2016[1)] (in € million)	Change (in %)
Net interest income	731	929	– 21
Loan loss provisions	446	1 003	– 56
Net commission income	68	117	– 42
Profit/loss from financial instruments at fair value through profit or loss fair value through profit or loss including Hedge Accounting	164	277	– 41
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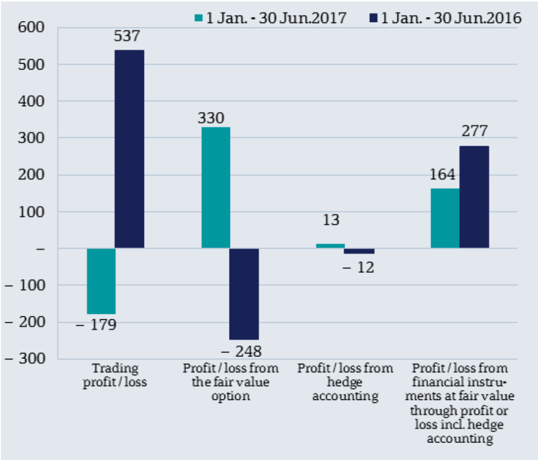
Income taxes	138	42	> 100
Consolidated profit	**271**	**– 406**	**> 100**

Due to persistently low interest rates on the money and capital markets and a reduction of average holdings, **net interest income** declined by € 198 million to € 731 million year on year. The decrease in interest income of € 288 million has a greater impact on earnings than the reduction in interest expenses of € 90 million. On the earnings side, the decrease was particularly pronounced in interest income from lending and money market transactions and from financial instruments at fair value through profit and loss. The expense side is also characterised by a decline in interest expenses for financial instruments at fair value through profit and loss.

Expenses from **loan loss provisions** decreased significantly, by € 557 million year on year. This effect is primarily attributable to the € 544 million decrease in net allocations to specific valuation allowances compared to the same period in the prior year, especially in ship finance.

Net commission income fell by almost one half year on year. Commission income from the brokerage business fell as a result of lower lending fees.

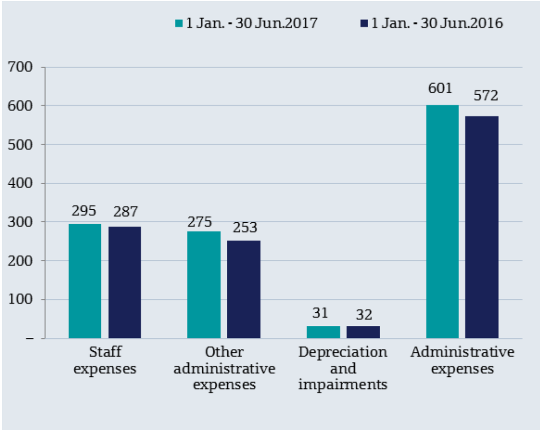
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting decreased by € 113 million year on year. This effect is mainly attributable to decreased trading profit/loss compared with the previous year period, which was more than offset by the positive contribution from the fair value option. The trading profit/loss was impacted by the negative trend of realised profit/loss and valuation gains/losses from registered bonds and promissory notes, as well as the negative result from interest-rate derivatives. Due to the change in the counterparty risk (Credit Value Adjustment (CVA)/Debit Value Adjustment (DVA)), earnings here could not compensate for the higher expenses due to the year-on-year increase in the EUR interest level. Profit/loss from currency derivatives fell, mainly as a result of the narrowing of the EUR/USD basis spread. The profit/loss from the fair value option, which made a positive contribution to earnings, was affected by inverse interest and own credit-spread-driven effects.



Profit/loss from financial assets is only slightly below the figure for the same period in the prior year. This is largely the result of an increase of € 44 million in profit/loss from the sale of available-for-sale (AfS) financial assets, and valuation allowances that were down sharply by € 46 million. Profit/loss from financial assets classified as loans and receivables (LaR) and from investments remained virtually unchanged.

Profit/loss accounted for using the equity method was still significantly affected by writedowns in the prior year; in the current reporting period, the main contributory factor was the disposal of an associated company accounted for using the equity method.

Administrative expenses rose by € 29 million year on year. This effect is largely down to the increase of € 28 million in appraiser and consulting expenses and the increase of € 5 million in service expenditures for IT as part of the ongoing development of the IT roadmap. Administrative expenses include expenditures of € 13 million in connection with the deposit security reserve for Landesbanks and the ECB provision, which are included in the profit/loss in the amount of the annual contribution.



Other operating profit/loss rose by € 572 million year on year. Other operating income increased by € 494 million, while other operating expenses fell by € 78 million. In particular, the disposal of receivables, which had an increased positive effect of € 443 million and resulted almost exclusively from the sale of promissory notes and other registered securities, contributed to this earnings performance. The negative effect caused by the repurchase of issued liabilities fell year on year by € 62 million. Expenses in connection with the EU bank levy had already been recognised during the year in the amount of the expected annual contribution; they totalled € 53 million during the reporting period.

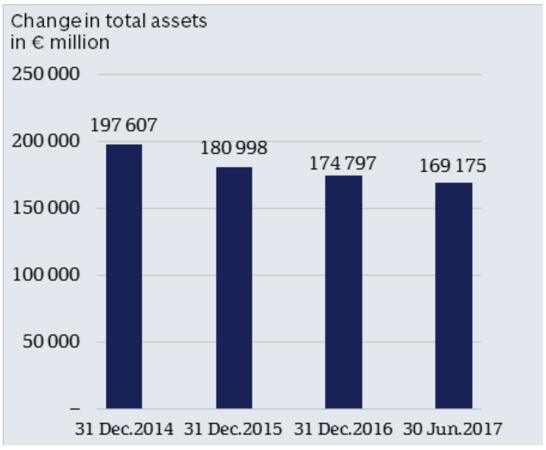
Reorganisation expenses of € 4 million include expenses for provisions resulting from the complete takeover of Bremer Landesbank, mainly comprising staff expenses. The previous year's result was primarily affected by net allocations to reorganisation provisions for agreements already concluded at the reporting date concerning the termination of employment contracts, as part of the programme to boost efficiency.

The expense for income taxes in the amount of € 138 million corresponds to anticipated tax expenditure, taking account of current annual profit/loss.

Assets and financial position

	30 Jun.2017 (in € million)	31 Dec.2016[1] (in € million)	Change (in %)
Loans and advances to banks	25 087	21 747	15
Loans and advances to customers	99 581	105 640	– 6
Risk provisioning	– 4 128	– 3 797	9
Financial assets at fair value through profit or loss	11 252	12 526	– 10
Positive fair values from hedge accounting derivatives	1 946	2 327	– 16
Financial assets	28 995	31 574	– 8
Investments accounted for using the equity method	243	285	– 15
Other assets	6 199	4 495	38
Total assets	**169 175**	**174 797**	– 3
Liabilities to banks	44 764	49 241	– 9
Liabilities to customers	56 877	57 301	– 1
Securitised liabilities	36 352	35 815	1
Financial liabilities at fair value through profit or loss	13 494	15 056	– 10
Negative fair values from hedge accounting derivatives	2 421	2 945	– 18
Provisions	2 649	2 753	– 4
Other liabilities	2 467	1 661	49
Subordinated capital	3 817	3 984	– 4
Reported equity including non-controling interests	6 334	6 041	5
Total liabilities and equity	**169 175**	**174 797**	**– 3**

Total assets fell slightly compared with 31 December 2016.



The increase in the **loans and advances to banks** position was due mainly to the increase in current loans and advances resulting from money market transactions in respect of German banks. Other loans and advances continue to decrease 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 € 6 059 million year on year, primarily due to the decrease in receivables from public-sector promissory notes and from ship and aircraft mortgage loans.

Risk provisioning rose by € 331 million year on year. The increase in specific valuation allowances is due in particular to the ongoing weakness of the shipping market and the planned reduction of the ship finance portfolio. Taking account of the assets held for sale recognised in the balance sheet in accordance with IFRS 5, risk provisioning fell from € 4 508 million to € 4 315 million.

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 € 1 274 million year on year. In particular, this decline was due to valuation and volume effects, which were mirrored on the liabilities side.

As a result of the drop in available-for-sale (AfS) **financial assets** in connection with the reduction in the total risk exposure amount, the financial assets portfolio fell by € 2 579 million year on year.

Assets held for sale decreased by € 261 million to € 160 million (€ 421 million) due to sales or because the assets were no longer held for sale. In addition to a net portfolio of loans and advances from the Ship Customers segment (€ 115 million), this position also includes a participation (€ 38 million) and assets from a fully consolidated shipping company (€ 7 million).

The increase of € 1 704 million in **other assets** is due mainly to false forward transactions in securities. These are spot purchases and sales of securities where the number of days between the trade date and value date of the transaction is more than usual for the respective type of trading.

Liabilities to banks fell significantly by € 4 477 million year on year. This decrease is due mainly to the reduction in liabilities resulting from money market transactions, which was only partially compensated by the increase in deposits from other banks and other liabilities.

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

The slight increase in securitised liabilities of € 537 million to € 36 352 million was mainly due to new issues of Pfandbriefe and municipal debentures.

Financial liabilities at fair value through profit or loss consist of trading liabilities and financial liabilities designated at fair value. Year on year, the € 1 562 million decline, with the inverse amount on the assets side, is based on valuation and volume effects.

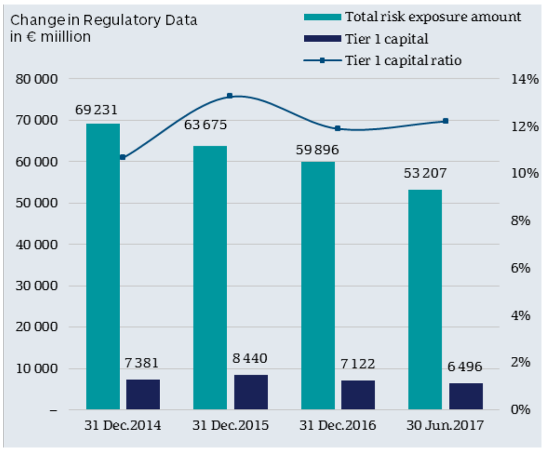
Provisions saw a slight decrease. This was due to a reduction in provisions for defined-benefit pension plans as a result of the fall in the actuarial interest rate.

There were no further **liabilities held for sale** as at the date of the half-yearly financial statement (€ 19 million). These resulted mainly from liabilities in respect of fully consolidated shipping companies where the sale criteria were no longer met as at the reporting date.

The increase of € 806 million in **other liabilities** was mainly due to false forward transactions in securities.

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

The increase in **reported equity** of € 293 million to € 6 334 million was mainly due to the profit/loss for the half-year.



Overall assessment

The NORD/LB Group's financial position and financial performance could be described as positive in the first half of 2017, despite a market environment that remains challenging. Earnings before taxes amounted to € 409 million.

Forecast, opportunities and risk report

General economic development

Global economic outlook
The US economy looks set to remain on a solid growth course in the second half of the year, with real economic activity very likely to rise by more than 2 per cent for the year as a whole. However, major positive effects as a result of the new economic policy in Washington are unlikely in 2017. Following the surprisingly strong growth of the Chinese economy in the first half of the year, the latest data indicate that economic activity for the rest of the year will have similar momentum. The eurozone will continue its strong economic recovery over the next several quarters. Consumer price inflation in the single currency area will remain below the European Central Bank's target in 2017 and 2018.

Economic forecast for germany and the eurozone
The German economy grew sharply in the first half of the year, and the latest data, which overall has been very positive, points to a similar level of economic growth in the second half of the year as well. In particular, key sentiment indicators, such as the ifo business climate, are at record levels, signalling that economic growth will be very strong over the course of the year – despite all of the geopolitical risks. NORD/LB is forecasting an increase in economic output of 1.8 per cent for all of 2017. If there were no dampening working day effects, the growth rate would even be in the region of 2.0 per cent. This is above its potential trajectory, but well below what one would assume if one were to look solely at the latest ifo data. Thus, the overall utilisation rate continues to rise, but at a modest pace. Inflationary pressure has not increased appreciably. The sharp increase in the value of the euro has not affected positive sentiment in the heavily export-based German economy yet, as the rise in the ifo figures on export expectations in July shows. Nor do we see a risk to the upward momentum as a result of the cartel allegations against some German car producers. It is still not yet clear whether, in fact, criminal offences have been committed, so it is difficult to assess the potential negative impact based on the little evidence that is available. However, experience shows that any drop is sales at individual companies is usually offset by other factors. As a result, negative consequences at the macroeconomic level are likely to be largely avoided. Therefore, we do not currently see any reason to change our forecasts. The driving forces will come from robust private and public sector consumption and brisk construction activity on the back of domestic demand, with exports enjoying very strong growth. The macroeconomic outlook for the eurozone has improved further. NORD/LB anticipates real economic growth in 2017 of 2 per cent year on year. Private consumption will also remain a key pillar here, and investment will increase considerably as well. Monetary policy will remain highly accommodative for the time being, making for a very favourable monetary environment. However, this positive economic picture is also exposed to several risks that, although they are lurking somewhat in the background at present, will continue to pose a potential danger to economic performance. They include, for example, geopolitical conflicts and the threat of global terrorism, the foreign and economic policy direction taken by the US government, the difficult negotiations involving the UK's exit from the European Union and the upcoming elections in EU member states, particularly in Italy.

Financial market development and interestrate forecast
Following its fourth rate hike in June, the US Fed will continue with its announced plan to gradually tighten monetary policy, making one more rate move this year. However, it will take some time before it returns to a more neutral stance. By contrast, the ECB will continue its ultra-expansive monetary policy for the rest of this year, as regards both its key rates and its asset purchase programme. The Council will decide its future monetary policy strategy in autumn. A gradual end to the asset purchase programme is likely to begin in 2018. With inflation rates normalising and assuming there are no further political shocks, we still anticipate that capital market

yields will rise slightly as a result; a yield of 0.80 per cent on 10-year Bunds seems realistic by the end of 2017. In the short term, the global monetary policy environment still favours the US dollar. As a result, the risk of pronounced counter-movements at the margins has risen sharply. However, the debate over the ECB's monetary exit has gathered steam and should support the euro in the medium term. NORD/LB forecasts that the USD/EUR exchange rate will be 1.11 by the end of the year. In the short to medium term, NORD/LB expects the EUR/USD basis swap spreads across all maturities to stabilise at a level of around 35 basis points. The econometric forecasting models indicate that the yield curve should remain very flat.

Banking market development

The ongoing, if in most countries declining credit risks in the European banking market will entail further restatements of balance sheets and possible capital measures to ensure sustainable improvements.

Regulatory requirements will continue to increase. In particular, these include the provisions to ensure compliance with the liquidity and funding ratios (liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)) and the requirements regarding the maintenance of bail-in eligible balance sheet liabilities and associated additional regulatory ratios (including minimum requirement for own funds and eligible liabilities (MREL) and, for global systemically important banks, Total Loss Absorbing Capacity (TLAC)).

The supervisory review and evaluation process (SREP) may lead to stricter capital adequacy requirements. Although European banks have already contributed significantly to the stabilisation of the banking system, its sustainability was reviewed in the European Banking Authority's recent stress tests.

Shipping

The global economy is relatively unscathed by geopolitical tensions and is more or less on its forecast growth path. We still expect an increase in global GDP of 3.5 per cent for 2017, while the IMF continues to predict that GDP will rise by 3.6 per cent in the coming year. Following robust performance in the first half of the year, expectations for the eurozone and China were raised somewhat, while in other regions, such as the USA, they were reduced slightly. The IMF is more cautious in its medium-term outlook, however. Growth assumptions for 2018 remain almost unchanged. The same is true for global trading volumes, which are expected to increase by 3.9 per cent. It is difficult to assess at present whether further attempts by OPEC to regulate oil output more and therefore contain it will be successful. So far, expectations have not been met. US production data and the precarious situation in some OPEC member states make a change in the situation on oil markets unlikely for the time being.

The three new created liner alliances will have to overcome some teething trouble in the second half of 2017. Despite the ongoing pace of consolidation, however, the new structures are now established and well known on the market. As a result, a repeat of the surprising momentum experienced in the charter market in the first half of the year is unlikely to be repeated, especially as orders for the summer peak season has been given yet. Furthermore, the combination of rising deliveries and lower scrapping activities will initially lead to further supply overhangs and competitive pressure.

In the dry bulk sector, the fleet will see another increase in 2017. Of the total new tonnage volume of of around 51 million dwt forecasted for the year as a whole, 45 per cent will be delivered in the second half of the year. Only some of this will be absorbed by scrapping. However, persistently restrained order activity will not be reflected in lower delivery figures until 2018. On the demand side, the pace of growth will continue to be driven by China as a result of that country's iron ore and coal needs. In the medium term, momentum will be fuelled by the country's planned expansion strategy ("one belt, one road").

The tide of deliveries in the tanker sector has still not ebbed. It is expected that 44.9 million dwt in new tonnage will be available at year-end. A sharp rise in scrapping activities does not look likely at present, meaning there will probably be a significant rise increase in the global tanker fleet. Despite signs of a recovery of the global economy, demand has not kept pace with supply. As a result, there is still high competitive pressure on the markets even though rates continue to fall. Seasonal momentum is not expected until the beginning of the winter months in the northern hemisphere.

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). This would correspond to a net margin of approximately 4.2 per cent (2016: 4.9 per cent). IATA attributed the decline in earnings – despite above-average growth of air traffic – to a higher cost basis (incl. personnel costs) as well as persistently falling yields. As in previous years, there are substantial geographical differences predicted in terms of the respective traffic and earnings trends. The largest growth in traffic (RPK) is predicted in Asia/Pacific (10.4 per cent). The IATA forecasts are fraught with uncertainty, especially as a result of global risks (including the Qatar crisis and North Korea), the effects of Brexit and increasing levels of protectionism.

In view of the healthy state of global trade and the thriving state of e-commerce, IATA expects air cargo volume (FTK) demand to increase by 7.5 per cent. Current indicators, such as global purchasing managers' indices, point to an ongoing recovery of air freight in the near future.

Real Estate

Although the election results in France and the Netherlands provided some relief, there is still geopolitical uncertainty, such as potential measures by the USA and the uncertain consequences of the Brexit negotiations. Given low interest rates and a lack of investment alternatives, global demand for real estate will likely be similar to the solid level posted the year before. The global transaction volume for commercial real estate is forecast to be around USD 650 billion in 2017. Germany will remain highly attractive as well. In politically uncertain times, the country continues to be a safe haven for investors. German commercial real estate is expected to reach a transaction volume of around € 55 billion in 2017, with some even forecasting a volume of more than € 60 billion. Returns will remain low or even decline a bit more in all asset classes. In view of investors' needs, this trend is not expected to come to an end this year. The sharpest decline is expected for logistics real estate because of higher demand. The Big Seven will remain dominant in terms of large-volume transactions, especially in the office asset class. Investor interest in non-A class cities may grow as a result of higher achievable returns.

Extended risk report

Risk bearing capacity

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

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

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

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

The utilisation of the available risk capital by the risk potential in the business case improved slightly compared to the reference date and amounted to 56 per cent as at the reporting date (70 per cent). This is mainly due to the decrease in risk potential from counterparty risks, market risks and liquidity risks. The reduction in the market risk could mainly be traced back to NORD/LB AöR and was primarily due to changes to the presentation of the present value of the market risk of pension and assistance commitments to actuarial cash flows, which was carried out as at the reporting date.

Risk-bearing capacity (in € million)	30 Jun.2017		31 Dec.2016[1]	
Risk capital[1)]	**5 655**	**100%**	**5 712**	**100%**
Credit risk	2 083	37%	2 567	**45%**
Market-price risk	608	11%	914	**16%**
Liquidity risk	141	2%	234	**4%**
Operational risk	321	6%	275	**5%**
Total risk potential	**3 153**	–	**3 990**	**0**
Risk capital utilisation	–	**56%**	–	**70%**

[1)] The previous year's figures were adjusted retrospectively to the new RACE model..

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

Credit risk

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

The maximum default risk amount for on-balance sheet and off-balance sheet financial instruments fell in the first six 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.

Risk-bearing financial instruments (in € million)	Maximum default risk 30 Jun.2017	Maximum default risk 31 Dec.2016
Loans and advances to banks	25 086	21 746
Loans and advances to customers	95 454	101 844
Adjustment item for financial instruments hedged in the fair value hedge portfolio	52	130
Financial assets at fair value through profit or loss	11 252	12 526
Positive fair values from hedge accounting derivatives	1 946	2 327
Financial assets	28 995	31 574
Sub-total	**162 785**	**170 147**
Liabilities from guarantees, other indemnity agreements and irrevocable credit commitments	13 679	14 579
Total	**176 464**	**184 726**

The total exposure of the NORD/LB Group is € 188 billion (€ 195 billion). The quality of the NORD/LB Group's loan portfolio has not changed so far in 2017. The share of non-performing loans as at the reporting date was 5.5 per cent (5.5 per cent). The Rating Structure table shows the breakdown of the total exposure in the NORD/LB Group by rating class and product type. The share of items in the "very good to good" rating category remained at a high level at 77 per cent as at the reporting date (76 per cent). This is explained in particular by the significance of business conducted with financing institutions and public authorities and is at the same time a reflection of the risk policy of the NORD/LB Group.

Rating structure[1)2)] (in € million)	Loans[3)] 30 Jun.2017	Securities[4)] 30 Jun.2017	Derivates[5)] 30 Jun.2017	Other[6)] 30 Jun.2017	Total exposure 30 Jun.2017	Total exposure 31 Dec.2016
very good to good	92 484	28 343	7 822	16 592	145 242	147 508
good / satisfactory	13 524	790	563	1 399	16 276	16 583
reasonable / satisfactory	6 156	187	120	991	7 454	8 736
increased risk	3 255	371	94	450	4 170	5 319
high risk	1 142	–	2	157	1 300	1 754
very high risk	3 239	2	20	115	3 375	4 104
default (= NPL)	10 227	–	58	42	10 327	10 700
Total	**130 028**	**29 694**	**8 679**	**19 745**	**188 145**	**194 705**

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

The breakdown of total exposure by industry shows that business conducted with financing institutions and with public authorities accounts for 50 per cent (49 per cent) and still constitutes a significant share of the total exposure.

Industries[1)2)] (in € million)	Loans 30 Jun.2017	Securities[3)] 30 Jun.2017	Derivatives[4)] 30 Jun.2017	Other[5)] 30 Jun.2017	Total exposure 30 Jun.2017	Total exposure 31 Dec.2016
Financing institutes / insurance companies	34 178	14 278	3 756	8 907	61 119	58 851
Service industries / other	53 681	13 634	2 078	1 940	71 332	75 759
– Of which: Land, housing	18 964	7	443	536	19 950	19 489
– Of which: Public administration	18 053	13 348	1 015	244	32 659	37 517
Transport / communications	19 196	445	641	334	20 615	24 171
– Of which: Shipping	14 328	–	57	69	14 454	16 703
– Of which: Aviation	2 022	–	9	–	2 031	2 986
Manufacturing industry	6 083	609	901	370	7 962	8 263
Energy, water and mining	10 742	631	818	6 502	18 693	19 014
Trade, maintenance and repairs	3 886	64	363	283	4 596	4 773
Agriculture, forestry and fishing	789	–	7	1 333	2 129	2 111
Construction	1 473	34	116	76	1 699	1 762
Total	**130 028**	**29 694**	**8 679**	**19 745**	**188 145**	**194 705**

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

The breakdown of the entire credit exposure by region shows that the eurozone accounts for a high share of 80 per cent (80 per cent) of total exposure and remains by far the most important business region of the NORD/LB Group. Germany's share is 66 per cent (64 per cent).

Regions[1)2)] (in € million)	Loans[3)] 30 Jun.2017	Securities[4)] 30 Jun.2017	Derivatives[5] 30 Jun.2017	Other[6] 30 Jun.2017	Total exposure 30 Jun.2017	Total exposure 31 Dec.2016
Euro countries	103 591	23 260	4 899	19 548	151 298	155 616
– Of which: Germany	86 381	15 202	2 954	18 773	123 309	125 486
Other Europe	11 781	2 575	2 676	127	17 159	16 703
North America	6 821	2 900	555	28	10 304	11 575
Middle and South America	2 434	174	29	–	2 637	3 229
Middle East / Africa	673	–	6	38	717	1 094
Asia / Australia	4 728	785	513	4	6 030	6 489
Total	**130 028**	**29 694**	**8 679**	**19 745**	**188 145**	**194 705**

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

The exposure in Greece, Ireland, Italy, Portugal and Spain in particular to sovereigns financing institutions and insurance companies, was further reduced in the period under review and now amounts to € 6.0 billion (€ 7.0 billion). Their share of the total exposure is 3 per cent (4 per cent). The share of receivables owed by the respective countries, regional governments and municipalities is € 1.6 billion (€ 1.8 billion) and still accounts for 1 per cent of the total exposure.

Exposures in selected European countries[1)2)] (in € million)	Greece 30 Jun. 2017	Ireland 30 Jun. 2017	Italy 30 Jun. 2017	Portugal 30 Jun. 2017	Spain 30 Jun. 2017	Total 30 Jun. 2017
Sovereign Exposure	–	183	940	234	225	1 582
– Of which: CDS	–	163	–	147	–	310
Financing institutes / insurance companies	–	374	114	15	583	1 086
	–	10	–	15	–	25
Corporates / Other	6	2 605	400	64	291	3 365
Total	**6**	**3 162**	**1 454**	**313**	**1 099**	**6 033**

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

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

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

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

In Hungary, the NORD/LB Group has an exposure of € 123 million (€ 106 million sovereign exposure, € 13 million corporates/others, € 4 million financing institutions and insurance companies), in Russia it has an exposure of € 221 million (€ 131 million financing institutions and insurance companies, € 90 million corporates/others). The exposures in Argentina and Ukraine are of minor significance.

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

Exposures in selected European countries by maturity[1)2)] (in € million)	Greece 30 Jun. 2017	Ireland 30 Jun. 2017	Italy 30 Jun. 2017	Portugal 30 Jun. 2017	Spain 30 Jun. 2017	**Total 30 Jun. 2017**
by maturity	–	–	251	87	141	**479**
more than 1 up to 5 years	–	183	143	147	67	**541**
more than 5 years	–	–	546	–	17	**562**
Total	**–**	**183**	**940**	**234**	**225**	**1 582**

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

Exposures in selected European countries by maturity[1)2)] (in € million)	Greece 31 Dec. 2016	Ireland 31 Dec. 2016	Italy 31 Dec. 2016	Portugal 31 Dec. 2016	Spain 31 Dec. 2016	**Total 31 Dec. 2016**
up to 1 year	–	–	25	100	148	**273**
more than 1 up to 5 years	–	239	353	248	74	**913**
more than 5 years	–	–	562	–	16	**578**
Total	**–**	**239**	**940**	**348**	**237**	**1 764**

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

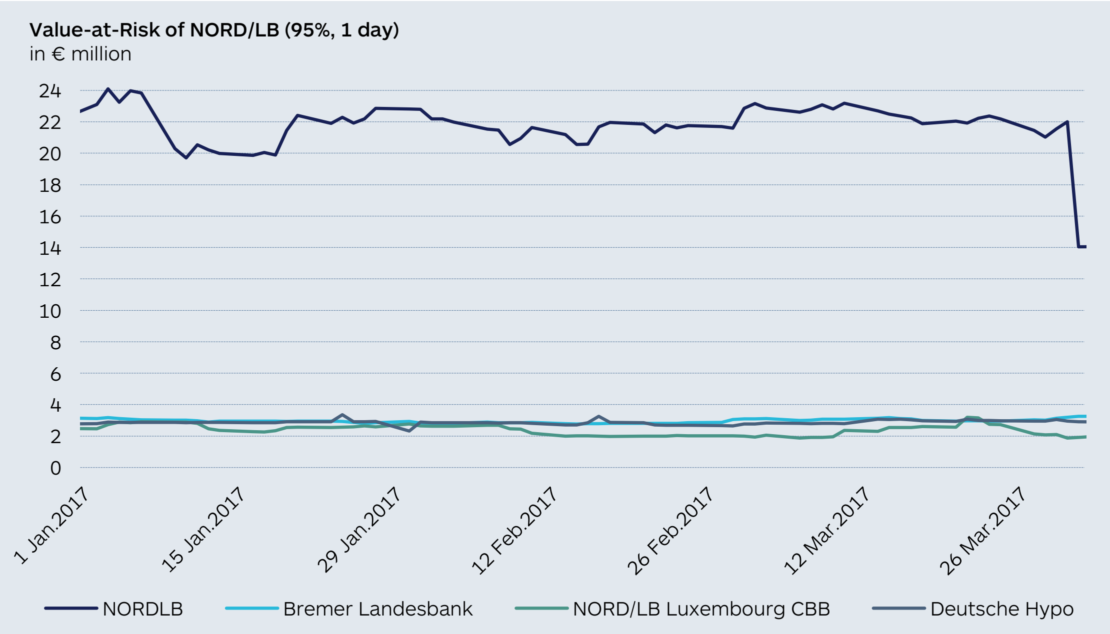
In addition to direct exposure, the reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount) pursuant to the German Commercial Code (HGB) and the credit equivalents resulting from derivatives (including add-ons and in consideration of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral provided to the NORD/LB Group is not taken into account.

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

Market-price risk

A decreased value-at-risk (VaR) of € 14 million was calculated for the NORD/LB Group as at the reporting date (€ 18 million). The final figures are reported taking into account correlation effects. The historical simulation method was used throughout the Group. The VaR calculated on the basis of regulatory parameters (confidence level of 99 per cent and holding period of ten days) amounted to € 74 million in the NORD/LB Group as at the reporting date (€ 95 million).

In addition to the market risks of the trading book, the ratio also includes the present value of the market risks of the investment book, i.e. in particular interest-rate risks in the investment book. The calculation of credit spread risks for the significant individual institutions from a risk point of view is always performed in accordance with the local accounting principles, that is only trading portfolio and liquidity reserve credit spread risks are included in the business case scenario for the Group's institutions that prepare their financial statements according to the German Commercial Code (HGB). In the resolution case scenario, credit-spread risks are included regardless of the accounting method.



The VaR, which is calculated daily as an overall total of Value-at-Risk figures from the significant Group companies from a risk point of view (confidence level of 95 per cent and holding period of one day), fluctuated between € 18 million and € 33 million from the start of January to the end of June, with an average value of € 25 million. The NORD/LB AöR portfolios have the highest risks.

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

Market-price risks[1]	Maximum		Average		Minimum		End-of year risk	
	1 Jan. - 30 Jun. 2017	1 Jan. - 31 Dec. 2016	1 Jan. - 30 Jun. 2017	1 Jan. - 31 Dec. 2016	1 Jan. - 30 Jun. 2017	1 Jan. - 31 Dec. 2016	1 Jan. - 30 Jun. 2017	1 Jan. - 31 Dec. 2016
Interest-rate risk (VaR 95 %, 1 day)	33 088	36 291	24 694	28 215	16 897	21 870	13 986	20 118
Currency risk (VaR 95 %, 1 day)	4 435	2 224	3 206	1 345	2 011	841	2 410	1 600
Share-price and fund-price risk (VaR 95 %, 1 day)	2 687	3 450	1 726	2 767	293	1 429	308	1 998
Volatility risk (VaR 95 %, 1 day)	4 318	4 231	2 678	2 412	1 814	1 635	1 572	3 309
Other add-ons	893	132	221	87	55	58	30	56
Total	32 902	32 269	25 366	26 398	18 103	21 313	14 466	18 264

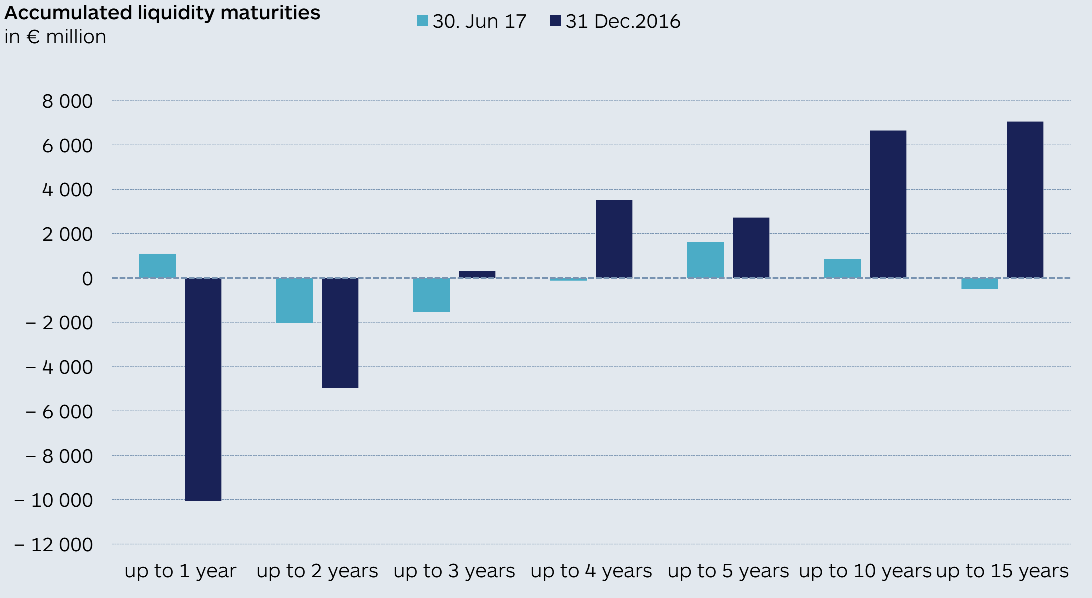
[1] Maximum, average and minimum are calculated from the VaR totals of the subsidiaries which are significant for risk reporting, taking into account the accounting standards applicable to the respective individual institution; the final values are calculated for the NORD/LB Group in consolidated form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

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

Liquidity risk

The liquidity situation on the markets eased further during the reporting year, in particular as a result of the ongoing measures undertaken by the European Central Bank. However, there continued to be uncertainty and risks as a result of the current political developments in the US, the UK and France as well as high levels of debt in various EU countries. For NORD/LB, the ongoing shipping crisis remains a focus and has long already been included in its stress scenarios. As a result, there was a downgrade by rating agency Moody's in April. The corresponding stress scenario was then intensified, but it was comfortably within the limits for the entire company across the full reporting period. There was another downgrade at the end of business on 30 June 2017, as a result of which the relevant stress scenarios deteriorated further on the next trading day. The limits for Bremer Landesbank were adjusted after the current reporting date, and since then Bremer Landesbank is being monitored in an integrated manner together with NORD/LB AöR. Even after all of the aforementioned changes, the established limits were met. The cumulative liquidity maturity balance sheet has a lower liquidity surplus/or liquidity gaps now instead of liquidity surpluses in all areas as at the reporting date compared to the end of the previous year. This is largely due to the change in the presentation of equity in the liquidity maturity balance sheet. Outflows are no longer modelled as a final item in the last maturity band, but rather as a rolling item in accordance with the structural funding needs of the NORD/LB Group. The liquidity gaps are all within the liquidity risk limits derived from the risk-bearing capacity model. During the course of 2017, the NORD/LB Group had sufficient liquidity at all times. At the NORD/LB Group level, the liquidity risk limits were met at all times as at the reporting date, both when taking all currencies into account and when taking the key individual currencies into account. In addition, the NORD/LB Group operates in markets that are as liquid as possible and maintains a portfolio of high-quality securities. As at the reporting date, the companies that are the most important from a risk perspective are securities with a volume of € 37 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).

Accumulated liquidity maturities
in € million



The liquidity ratio pursuant to the Liquidity Regulation (LiqV) in the reporting period was always significantly higher than the regulatory minimum of 1.00. The liquidity stress tests used for internal management purposes indicate a sound liquidity situation for the NORD/LB Group as at the reporting date. The liquidity buffers were maintained for one week and one month, pursuant to the Minimum Requirements for Risk Management (MaRisk). The Liquidity Coverage Ratio (LCR) amounted to 187.6 per cent as at the reporting date (110.3 per cent).

Liquidity ratio in accordance with the LiqV[1)]	30 Jun.2017	31 Dec.2016
NORD/LB	2,77	1,91
Bremer Landesbank	3,39	2,65
Deutsche Hypo	2,04	1,98

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

Operational risk

The establishment of integrated OpRisk management was continued in the reporting period. As at the reporting date, there were no legal risks that jeopardised its status as a going concern. Provisions were formed in order to cover any legal risks in connection with processing fees in the commercial area.

Overall Assessment

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

Earnings based on the proven, customer-oriented business model with highly diversified sources of income are slightly higher than the previous year and thus well above plan. This development is due in large part to unanticipated income from other operating profit.

The NORD/LB Group forecasts that risk provisioning will be worse than planned, but significantly better than in the previous year. It will once again be primarily affected by the ship finance 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 to be moderately higher than budgeted.

Overall, these developments in the 2017 forecast are likely to result in the target for earnings before taxes being met. 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 slightly below the planned level, mainly as a result of restrained new business, exchange rate effects and reductions in the ship finance portfolio. The planning for the total risk exposure and the regulatory equity of NORD/LB for 2017 takes into account all relevant requirements for the regulatory capital base as derived from EU Regulation No. 575/2013 on Regulatory Requirements for Banks and Securities Firms (CRR) including transitional provisions. These statutory regulations, including capital buffers that must be provided, and other mandatory requirements imposed by the banking supervisor with respect to regulatory equity are met in full and on an ongoing basis in the projection and in the current NORD/LB Group forecast for 2017.

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

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

Interim Consolidated Financial Statements as at 30. June 2017

Income Statement

	Notes	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016[1] (in € million)	Change (in %)
Interest income from assets		3 380	3 687	– 8
Interest expenses from assets		29	11	> 100
Interest expenses from liabilities		2 658	2 766	– 4
Interest income from liabilities		38	19	100
Net interest income	**5**	**731**	**929**	**– 21**
Loan loss provisions	6	446	1 003	– 56
Commission income		138	178	– 22
Commission expenses		70	61	15
Net commission income	**7**	**68**	**117**	**– 42**
Trading profit / loss		– 179	537	> 100
Profit / loss from the fair value option		330	– 248	> 100
Profit / loss from financial instruments at fair value through profit or loss	**8**	**151**	**289**	**– 48**
Profit / loss from hedge accounting	9	13	– 12	> 100
Profit / loss from financial assets	10	66	71	– 7
Profit / loss from investments accounted for using the equity method		27	– 7	> 100
Administrative expenses	11	601	572	5
Other operating profit / loss	12	404	– 168	> 100
Earnings before reorganisation and taxes		**413**	**– 356**	**> 100**
Reorganisation expenses	13	4	8	– 50
Earnings before taxes		**409**	**– 364**	**> 100**
Income taxes	14	138	42	> 100
Consolidated profit		**271**	**– 406**	**> 100**
of which: attributable to the owners of NORD/LB		233	– 263	
of which: attributable to non-controlling interests		38	– 143	

[1] 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 2nd Quarter	2017 1st Quarter	2016 2nd Quarter [1]	2016 1st Quarter [1]
Interest income from assets	1 645	1 735	1 756	1 931
Interest expenses from assets	17	12	5	6
Interest expenses from liabilities	1 317	1 341	1 291	1 475
Interest income from liabilities	14	24	10	9
Net interest income	**325**	**406**	**470**	**459**
Loan loss provisions	320	126	568	435
Commission income	63	75	93	85
Commission expenses	38	32	30	31
Net commission income	**25**	**43**	**63**	**54**
Trading profit / loss	– 25	– 154	150	387
Profit / loss from the fair value option	102	228	– 115	– 133
Profit / loss from financial instruments at fair value through profit or loss	**77**	**74**	**35**	**254**
Profit / loss from hedge accounting	13	–	– 13	1
Profit / loss from financial assets	15	51	64	7
Profit / loss from investments accounted for using the equity method	24	3	–	– 7
Administrative expenses	283	318	275	297
Other operating profit / loss	279	125	– 32	– 136
Earnings before reorganisation and taxes	**155**	**258**	**– 256**	**– 100**
Reorganisation expenses	1	3	1	7
Earnings before taxes	**154**	**255**	**– 257**	**– 107**
Income taxes	97	41	56	– 14
Consolidated profit	**57**	**214**	**– 313**	**– 93**
of which: attributable to the owners of NORD/LB	2	231	– 188	– 75
of which: attributable to non-controlling interests	55	– 17	– 125	– 18

[1] The previous year's figures were restated; to clarify net interest income, interest expenses from assets and interest income from liabilities were reported separately.

Statement of Comprehensive Income

The total comprehensive income of the NORD/LB Group consists of the income and expenses recognised in both the income statement (IS) and in other comprehensive income (OCI).

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Consolidated profit	**271**	**– 406**	**> 100**
Other comprehensive income which is not recycled in the income statement in subsequent periods			
Revaluation of the net liability from defined benefit pension plans	121	– 451	> 100
Investments accounted for using the equity method – Share of other operating profit / loss	6	– 11	> 100
Deferred taxes	– 38	145	> 100
	89	**– 317**	**> 100**
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions			
Increase / decrease from available for sale (AfS) financial instruments			
Unrealised profit / losses	– 119	– 80	49
Transfer due to realisation profit / loss	22	12	83
Translation differences of foreign business units			
Unrealised profit / losses	–	– 5	– 100
Investments accounted for using the equity method – Share of other operating profit / loss	– 17	32	> 100
Deferred taxes	38	24	58
	– 76	**– 17**	**> 100**
Other profit / loss	**13**	**– 334**	**> 100**
Comprehensive income for the period under review	**284**	**– 740**	**> 100**
of which: attributable to the owners of NORD/LB	243	– 578	
of which: attributable to non-controlling interests	41	– 162	

Statement of Comprehensive Income - Quarterly Overview

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

Balance Sheet

	Notes	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Cash reserve		2 727	1 447	88
Loans and advances to banks	15	25 087	21 747	15
Loans and advances to customers	16	99 581	105 640	– 6
Risk provisioning	17	– 4 128	– 3 797	9
Balancing items for financial instruments hedged in the fair value hedge portfolio		52	130	– 60
Financial assets at fair value through profit or loss	18	11 252	12 526	– 10
Positive fair values from hedge accounting derivatives		1 946	2 327	– 16
Financial assets	19	28 995	31 574	– 8
Investments accounted for using the equity method		243	285	– 15
Property and equipment	20	519	420	24
Investment property		84	84	–
Intangible assets	21	157	154	2
Assets held for sale	22	160	421	– 62
Current income tax assets		27	42	– 36
Deferred income taxes		607	786	– 23
Other assets		1 866	1 011	85
Total assets		**169 175**	**174 797**	**– 3**

	Notes	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Liabilities to banks	23	44 764	49 241	– 9
Liabilities to customers	24	56 877	57 301	– 1
Securitised liabilities	25	36 352	35 815	1
Balancing items for financial instruments		790	1 033	– 24
Financial liabilities at fair value through profit or loss	26	13 494	15 056	– 10
Negative fair values from hedge accounting derivatives		2 421	2 945	– 18
Provisions	27	2 649	2 753	– 4
Liabilities held for sale		–	19	– 100
Current income tax liabilities		85	107	– 21
Deferred income taxes		81	126	– 36
Other liabilities		1 511	376	> 100
Subordinated capital	28	3 817	3 984	– 4
Equity	**29**			
Issued capital		1 607	1 607	–
Capital reserves		3 332	3 332	–
Retained earnings		1 197	939	27
Revaluation reserve		317	375	– 15
Currency translation reserve		– 8	– 6	33
Equity capital attributable to the owners of NORD/LB		**6 445**	**6 247**	**3**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		– 161	– 256	– 37
		6 334	**6 041**	**5**
Total liabilities and equity		**169 175**	**174 797**	**– 3**

Condensed Statement of Changes in Equity

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan.2017	**1 607**	**3 332**	**939**	**375**	**– 6**	**6 247**	**50**	**– 256**	**6 041**
Comprehensive income for the period under preview	–	–	304	– 59	– 2	243	–	41	284
Changes in the basis of consolidation	–	–	– 47	–	–	– 47	–	54	7
Other changes in capital	–	–	1	1	–	2	–	–	2
Equity as at 30 Jun.2017	**1 607**	**3 332**	**1 197**	**317**	**– 8**	**6 445**	**50**	**– 161**	**6 334**

(in € million)	Issued capital	Capital reserve	Retained earnings	Revaluation reserve	Currency translation reserve	Equity attributable to the owners of NORD/LB	Additional equity components	Equity attributable to non-controlling interests	Consolidated equity
Equity as at 1 Jan.2016	**1 607**	**3 332**	**2 493**	**454**	**– 9**	**7 877**	**50**	**586**	**8 513**
Comprehensive income for the period under preview	–	–	– 530	– 49	1	– 578	–	– 162	– 740
Other changes in capital	–	–	– 2	–	–	– 2	–	– 9	– 11
Equity as at 30 Jun.2016	**1 607**	**3 332**	**1 961**	**405**	**– 8**	**7 297**	**50**	**415**	**7 762**

Condensed Cash Flow Statement

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**1 447**	**872**	**66**
Cash flow from operating activities	1 277	574	> 100
Cash flow from investing activities	262	– 46	> 100
Cash flow from financing activities	– 257	– 554	– 54
Total cash flow	**1 282**	**– 26**	**> 100**
Effects of changes in exchange rates	– 2	– 1	100
Cash and cash equivalents as at 30.6.	**2 727**	**845**	**> 100**

In transactions that led to the loss of control of subsidiaries and other business units, there were disposals of, primarily receivables due from or liabilities to customers in the netted amount of € 198 million, securities from a special fund (€ 50 million) and property and equipment in the amount € 21 million. Compensation of € 276 million was booked for these disposals.

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

Selected Notes

General Disclosures

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

The interim consolidated financial statements of Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig, Magdeburg (NORD/LB) as at 30 June 2017 were prepared based on Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable in the EU. The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. The national provisions of the German Commercial Code (HGB) were also observed under § 315e HGB, to the extent applicable for the interim financial statements. The interim consolidated financial statements are to be read in conjunction with the information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2016. NORD/LB as a group under commercial law is referred to below as the NORD/LB Group. The interim consolidated financial statements as at 30 June 2017 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and selected notes. The segment reporting is included in the Notes. The reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is provided mainly in a risk report within the Group management report.

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

These interim consolidated financial statements were signed by the Managing Board on 22 August 2017 and approved for publication.

(2) Accounting Policies

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

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

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

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

Additional reporting requirements are created for the NORD/LB consolidated financial statements with regard to IAS 7.

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

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

Accounting of deferred taxes in the NORD/LB interim consolidated financial statements already conforms to the amendments, so the amendments to IAS 12 produce no effects.

Verbesserungen der IFRS (Zyklus 2014 – 2016) im Rahmen des annual improvements process des IASB

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

These amendments clarify that the scope of IFRS 12 also applies for shares in other companies that fall under IFRS 5; exceptions are the disclosure requirements under IFRS 12 – Financial information.
The adjustments made to IFRS 12 as part of the IFRS annual improvement process (cycle 2014 – 2016) exert no influence on the interim consolidated financial statements of NORD/LB.

As permitted, there was no early application of the following standards and amendments to standards adopted in European law which must only be implemented for the NORD/LB consolidated financial statements after 31 December 2017:

IFRS 9 – Financial Instruments
Following the adoption of IFRS 9, a substantial impact on the accounting, measurement and presentation of future consolidated financial statements is expected. The impact of IFRS 9 on the NORD/LB Group is currently under evaluation. To this end, a programme has been set up with projects based on the phases of IFRS 9 in order to implement the necessary specialist, technical and procedural changes in due time.
As part of IFRS 9 – Financial Instruments, the following regulatory areas of relevance to the NORD/LB Group will require adaptation:

Classification and measurement of financial assets and financial liabilities

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”. Classification of a financial instrument is also determined by what is known as the cash flow criterion; this is used to examine the financial instrument to determine whether or not the contractual cash flows relate solely to principal and interest payments. Classification and measurement of financial assets is based on the combination of business model and cash flow characteristic.

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 solely represent 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 solely represent 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

NORD/LB 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 currently small in relation to the overall loan book. The application of the “Hold and sell” business model will be taken on basis of facts available at the date of first-time application in the loan business at a later stage of the project.
The NORD/LB Group is conducting an analysis to examine the loan portfolio business and the contract modules currently in use; the aim is 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”. Contractual components or side agreements for loans that result in payment streams that are not comprised solely of interest payments and capital repayments in accordance with IFRS 9 requirements are recog-

nised on a technical basis at NORD/LB. In order to be able to continue measuring the fair value of the relevant loans in future, NORD/LB plans to introduce an automated measurement application that calculates the fair value at the level of the individual financial instrument on the basis of the relevant cash flow and contractual data. The analysis (currently still in progress) suggests the tentative conclusion 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 measured hitherto at amortised cost under IAS 39 would thus need to be classified in a fair value category under IFRS 9. In the present status, it is not fully possible to estimate the impact of first-time application as an assessment of the cash flow criterion is not yet complete. The portfolios were valued accordingly during the initial review. However, some items were reviewed again, particularly the loans that were initially classified as detrimental to fair value. Furthermore, a final evaluation as to whether some side agreements that were mainly viewed as risk shields would result in a fair value assessment is still pending.

Financial assets – securities

The NORD/LB Group assumes that all three business model versions will be relevant for securities on the assets side at the date of first-time application. As the project stands at present, portfolios with an intended long-term investment horizon will be assigned to the “Hold” business model. In the case of portfolios used for short- and/or medium-term liquidity management, assignment to the “Hold and sell” business model is planned on account of their active management and the general lack of an intention to continue holding them. 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 currently anticipates basically unchanged use of the option for voluntary fair value measurement, insofar as permitted under IFRS 9.

Due to the classification and measurement requirements of IFRS 9, the NORD/LB Group anticipates that a portion of the securities holding (limited to selected portfolios) recognised directly in equity under IAS 39 will be measured at amortised cost from 2018 onwards. In the present status, it is not fully possible to estimate the impact of first-time application as allocation of the securities to business models is not yet complete. The Bank reserves the right to change the allocation of the securities until the date of first-time application, as new findings will be processed over time. The actual securities depend on the business model and the portfolio of financial assets on the date of entry into force.

Under IFRS 9, unconsolidated investments should basically be measured at fair value through profit and loss as 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 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, changes to the measurement of financial liabilities induced by credit ratings must, under IFRS 9, 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, therefore, fair value changes affecting the Group's own credit risk for financial liabilities in the fair value option will always be recognised under other comprehensive income (OCI).

Impairments 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 initially 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 stages, depending on the change in their credit quality since initial recognition. In stage 1, anticipated credit defaults in the amount of the expected loss are calculated over an observation period of one year. In stages 2 and 3, anticipated credit defaults are calculated over the term of the financial instrument (lifetime expected loss). Stage 3 includes receivables already defaulted, on the basis of the existing IAS 39 procedure and regulatory requirements.

Defining and implementing suitable models for adequately calculating the expected loss and lifetime expected loss is crucial for the NORD/LB Group. Determining suitable systems for assigning a stage, for example, credit quality indicators and thresholds for the three-stage model are also key aspects of implementation of the requirements.

NORD/LB calculates loan loss provisions using the instrument-by-instrument approach. Determination of loan loss provisions should be parameter-based for all portfolios in stages 1 and 2 and for non-significant stage 3 transactions, whereas an expert-based approach is specified for significant stage 3 transactions.

Various criteria are adduced to distinguish between stages 1 and 2. As the concept stands at present, there is (on the one hand) a quantitative criterion for which precisely defined conditions must be cumulatively met. This is supplemented by three qualitative criteria, each of which may trigger a transfer to stage 2 if they are met.

The methodological concept for the use of future-oriented information in the context of scenarios to determine loan loss provisions in the NORD/LB Group has not yet been completed, as a result of which the impact cannot be determined reliably at present. For example, the cash flows that are currently used are based on greatly simplified assumptions with respect to the expected exposure-at-default, the expected future performance of the collateral and the impact of macroeconomic effects. Furthermore, the necessary functional tests have not yet been completed. The new categorisation requirements under IFRS 9 for the business model and assessment of the cash flow criterion will also produce future changes to the composition of the transaction to be considered in the impairment context. Therefore, the effects of impairment can only be quantified when classification of financial assets has been completed, which is not yet the case for the NORD/LB Group. A reliable estimate of these effects and of the overall impact of loan loss provisions will only be possible as the project continues to advance.

Hedging transactions

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 processed by the IASB as a standalone project.

The IAS 39 regulations on portfolio fair value hedging for interest-rate risks will remain in place until publication of the new regulations on Macro Hedge Accounting. 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 plans to continue hedge accounting under the existing IAS 39 regulations.

The changed classification requirements under IFRS 9 will also change the composition of underlying transactions in the portfolio fair value hedge for interest-rate risks. The NORD/LB Group expects only minor effects from the first-time application of these changes; specific quantification will only be possible once the classification of the financial assets is completed.

Recognition

In accordance with the IFRS 9 classification and measurement requirements, the NORD/LB Group will gear its financial instruments reporting more towards measurement categories. As permitted, retrospective application of IFRS 9 for reporting will be waived so that IFRS 9 values in 2018 can 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

Standards IAS 18 and IAS 11 in force hitherto for realisation of income as well as the related interpretations are to be replaced by IFRS 15 from 2018 onwards. IFRS 15 specifies a new, principles-based five-stage model for income accounting and recognition. In particular, the new standard will impact the amount of income as well as the timing of its collection and distribution in the statement of comprehensive income. The EU endorsed the standard in the fourth quarter of 2016. The clarifications of IFRS 15 with respect to European law are expected to occur in the fourth quarter of 2017. The application of the standard is mandatory for reporting periods that begin on or after 1 January 2018. The standard must basically be applied to all contracts with customers of the NORD/LB Group; however, in many cases it is not relevant for the Group because large parts of the income on the statement of comprehensive income are subject to the provisions of other standards. IFRS 15 is mainly applicable to accounting of commission income, i.e. to the Group's service business. In the second quarter of 2017 the NORD/LB Group completed the implementation project which tightened or supplemented existing standards. Introduction of the standard will have no significant impact on the presentation of the financial position and financial performance of the NORD/LB Group.

(3) Basis of Consolidation

The interim consolidated financial statements include not only NORD/LB as the parent company but also 37 (31 December 2016: 42) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. In addition, 2 (31 December 2016: 2) joint ventures and 9 (31 December 2016: 11) associated companies have been recognised. The joint ventures and the associated companies are accounted for using the equity method.

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

Following the purchase of 45.17 per cent of the shares, as at 1 January 2017 NORD/LB legally held 100 per cent of the shares in Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale - , Bremen (Bremer Landesbank). The acquisition of the shares held by non-controlling shareholders was anticipated in the consolidated financial statements as at 31 December 2016 (see Note (29) Equity). Bremer Landesbank will remain a fully consolidated subsidiary in the consolidated financial statements of NORD/LB.

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

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

Fonds NORD/LB AM ARB EUROPE, which was previously fully consolidated and whose assets as at 31 March 2017 were recognised under assets held for sale, were sold in the second quarter of 2017 and thus deconsolidated effective 24 April 2017. The major assets of Beteiligungs- Kommanditgesellschaft MS "Buxmelody" Verwaltungs- und Bereederungs GmbH & Co., Buxtehude, and MT "NORDIC SCORPIUS" Tankschifffahrtsgesellschaft mbH & Co. KG, Hamburg, were sold in April and May 2017. The assets were transferred to Callisto Beteiligungsgesellschaft mbH & Co. KG and Hyperion Tankschifffahrtsgesellschaft mbH & Co. KG, both in Hamburg, as part of an internal Group transaction. Against this background, the two former companies, which had been fully consolidated, were deconsolidated effective 26 April and 12 May 2017 respectively, and the two latter – acquiring – companies were included in the consolidated financial statements as fully consolidated companies for the first time on the same dates.

Additionally, the shares in SALEG Sachsen-Anhaltinische-Landesentwicklungsgesellschaft mbH, Magdeburg, previously recognised as an associated company under IFRS 5, were sold, and the company was deconsolidated on16 January 2017.

In connection with the acquisition of Bremer Landesbank, the sub-participation in BREBAU GmbH become effective as at 22 May 2017, as a result of which BREBAU GmbH, which had previously been an associated company, was deconsolidated. This resulted in a deconsolidation gain in the amount of € 14 million, which is included in the profit/loss from investments accounted for using the equity method.

Other effects resulting from the change in the basis of consolidation did not have a material influence on the financial position and financial performance of the NORD/LB Group.

Information on the subsidiaries, joint ventures and associate companies included in the interim consolidated financial statements can be found in Note (37) Overview of consolidated companies and investment funds.

Segment Reporting

The segment reporting provides information on the operational business segments of the Group. The segment reporting below is based on IFRS 8, Operating Segments, in accordance with the management approach. The segment information under IFRS is presented on the basis of internal reporting, in the same way as this information is regularly reported within the Group to assess performance and make decisions on the allocation of resources to segments. The total risk exposure amount is now reported uniformly for the business segments and the Group with RWA in accordance with CRR/CRD IV as at the reporting date. The previous year's figures were restated.

Segmentierung nach Geschäftsfeldern

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

An important criterion for the formation of segments is the greatest possible homogeneity of the customers aggregated in the segment in relation to financing and investment requirements and products demanded. There are no identifiable dependencies on individual customers. The product ranges offered in the segments are described in the disclosures below, and the earnings generated with these products are shown in the overview. The product range offered comprises classical lending business and syndicate business, savings and giro products, securities, currency and derivative transactions, complex structured financing solutions, private banking products, liquidity and risk management, as well as services such as account management, payment transactions, securities business, brokering, documentary business, loan processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated according to the market-interest-rate method. This process involves calculating the contribution from the interest rate conditions for each customer transaction by comparing the customer conditions with the maturity-congruent market interest rate for a fictitious comparable transaction applicable at the time the transaction is completed. This market interest rate is also the cost rate used by Treasury for the balancing positions. As a result, interest income and interest expenses are not reported on a gross basis. The financing result from committed equity is allocated to the market segments.

The Bank allocates every interest-bearing customer transaction to the balancing positions in Treasury, as the central coordinating division. There are no direct business relations between the market divisions in the Bank. Inter-segment earnings are therefore not included in the internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and allocated overhead costs. Risk provisioning from individual and portfolio-based valuation allowances is allocated to the segments according to actual costs incurred.

Income related to the overall Bank, such as profit/loss from hedge accounting and financial assets, is not allocated to the Bank's operational business segments. Instead, it is reported in the Group Controlling/Others segment.

The segment report includes not only figures from the income statement but also the total risk exposure amounts to be allocated, segment assets and liabilities, committed capital as well as the following metrics: cost-income ratio (CIR), return on risk-adjusted capital (RoRaC) and return on equity (RoE). The total risk exposure amount shows the RWA to be allocated in accordance with CRR/CRD IV as at the reporting date. The cost-income ratio is defined as the ratio between administrative expenses and the sum total of the following income items: Net interest income, net commission income, profit/loss from financial instruments at fair value through profit and loss, profit/loss from hedge accounting, profit/loss from investments accounted for using the equity method and other operating profit/loss.

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

Committed capital in the segments is determined on the basis of average annual values. The reconciling amount between the committed capital reported in the business segments and the long-term equity in the Group under commercial law is included in the Reconciliations segment. A reconciliation of long-term equity under commercial law to equity reported in the balance sheet is shown separately at the end of the segment overview.

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

Private and Commercial Customers

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

Corporate Customers

The Corporate Customers segment includes not only the entire NORD/LB business with corporate customers in the core regions (excluding the former Braunschweig region) and neighbouring regions, but also the Agricultural Banking and Housing Divisions.

The Bank is a full-service provider that offers banking products and services. These services include traditional transaction management, tailored corporate financing, management of interest and currency risk, and solutions for company pension schemes. In addition, comprehensive solutions are developed in the segment for complex corporate financing needs and for the strategic positioning of corporate customers. Professional concept-based liquidity and risk management, structuring of equity measures and innovative financing instruments supplement the product range.

Markets

The Markets segment covers the financial market activities undertaken on behalf of customers in Germany, the foreign branches and in the Group companies. The Savings Bank Network Division comprises transactions with the public sector, institutional business with associated savings banks and syndicated business transacted with associated savings banks.

The segment's offerings comprise alternative products detached from retail banking including derivatives, e.g. debt securities of special types which are not standardised as regards interest and repayment, but instead offer alternatives in terms of returns and the manner or timing of repayment (structured securities). The secondary business includes sales and trading for securities of all types. Tailored solutions for institutional customers are also offered; these include structuring of special funds, pool fund solutions, portfolio management mandates and institutional public funds.

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

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

Energy and Infrastructure Customers

This business segment brings together the global business relationships with customers of the Group companies NORD/LB and Bremer Landesbank in the Infrastructure, Energy (including renewables in particular) and Leasing Divisions. The product offering primarily comprises project financing related to a specific project or asset and tailored to meet individual needs. The structure of such financing is developed in the light of specific political and economic risks, legal and tax factors, social and societal determinants and optimal equity structures. The aim is to tailor project requirements and cash flows to the respective customers.

Ship Customers

The national and international ship finance activities of NORD/LB and Bremer Landesbank are reported in this segment. The project requirements of customers in the Ship Customers segment are met with short to long-term financing, including equity pre-financing, interim finance, construction period finance (short and medium-term) and financing to completion (long-term). Ships are financed by providing loans or guarantees on an asset-related and (normally) asset-backed basis. Products such as swaps, options, futures or forward transactions complete the product range.

Aircraft Customers

NORD/LB'S national and international activities in aircraft finance are reported in this segment. Aircraft finance focuses on asset-based financing of passenger aircraft from reputable manufacturers. The target customers – airlines and leasing companies – are offered the NORD/LB Group's extensive expertise in core products coupled with tailored financing solutions. This segment also finances covered export business.

Real Estate Banking Customers

NORD/LB's and Deutsche Hypo's national and international financing of commercial real estate and Bremer Landesbank's financing of community-interest properties are aggregated in this segment. The focus is usually on structured financing for large-volume commercial real estate projects and portfolios in Germany and abroad. Both interim finance for new construction projects and long-term loans for existing properties are offered.

Group Controlling/Others

This segment covers all other performance data directly related to business activities such as: Group companies not included in the segments; components of income at overall Bank level that are not allocated to the segments; profit/loss from financial instruments (in particular from central measurement effects), financial assets and hedge accounting that is not reported in profit/loss for the business segments; projects covering the entire Bank; consolidation items; profit/loss from management of the interest-rate risk; disposition of balancing items, liquidity management and self-induced assets (in particular Treasury and Bank Asset Allocation); and alternative investment products (Credit Asset Management). Other operating profit/loss includes items such as the bank levy.

Reconciliations

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

(4) Segment Reporting by Business Segment

30 Jun.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	88	182	95	97	139	58	103	– 3	– 28	731
Loan loss provisions	– 2	2	– 1	15	409	1	4	13	5	446
Net interest income after loan loss provisions	**90**	**180**	**96**	**83**	**– 270**	**58**	**99**	**– 16**	**– 33**	**285**
Net commission income	31	30	24	22	10	4	–	– 34	– 19	68
Profit / loss from financial instruments at fair value through profit or loss	2	19	55	25	13	1	5	41	– 11	151
Profit / loss from hedge accounting	–	–	–	–	–	–	–	6	8	14
Profit / loss from financial assets	–	–	–	–	–	–	–	67	–	66
Profit / loss from invest ments accounted for using the equity method	–	–	–	–	–	–	–	24	3	27
Administrative expenses	90	84	68	54	60	16	31	182	17	601
Other operating profit / loss	– 6	– 2	–	1	–	–	– 4	420	– 5	404
Profit / Loss before reorganisation and taxes	**27**	**144**	**107**	**76**	**– 308**	**47**	**69**	**325**	**– 75**	**413**
Reorganisation expenses	–	–	–	–	–	–	–	– 4	–	– 4
Earnings before taxes (EBT)	**27**	**144**	**107**	**76**	**– 308**	**47**	**69**	**321**	**– 75**	**409**
Taxes	–	–	–	–	–	–	–	–	138	138
Consolidated profit	**27**	**144**	**107**	**76**	**– 308**	**47**	**69**	**341**	**– 213**	**271**
Segment assets	6 914	25 520	35 130	16 359	14 641	6 767	13 564	53 791	– 3 511	169 175
of which: from investments accounted for using the equity method	44	–	–	–	–	–	–	199	–	243
Segment liabilities	6 783	7 741	50 347	2 764	1 558	448	250	93 990	5 294	169 175
Total risk exposure amount	4 006	13 553	3 904	7 019	8 294	4 743	5 166	4 477	2 044	53 207
Capital employed[1]	477	1 550	425	885	1 208	645	625	1 167	– 1 508	5 474
CIR	78,1%	36,5%	39,0%	37,3%	37,1%	24,3%	29,6%			43,1%
RoRaC / RoE[2]	11,0%	16,9%	36,9%	14,8%	-45,5%	14,7%	17,7%			15,0%

30 Jun.2016 (in € million)	Private and Commercial Customers	Corporate Customers	Markets	Energy and Infrastructure Customers	Ship Customers	Aircraft Customers	Real Estate Banking Customers	Group Management/ Others	Reconcilations	NORD/LB Group
Net interest income before loan loss provisions	93	176	94	99	199	52	113	101	2	929
Loan loss provisions	– 2	87	–	–	954	– 1	– 4	– 31	–	1 003
Net interest income after loan loss provisions	**95**	**90**	**94**	**99**	**– 755**	**53**	**117**	**132**	**2**	**– 74**
Net commission income	31	33	44	51	16	7	2	– 32	– 34	117
Profit / loss from financial instruments at fair value through profit or loss	– 1	– 2	35	– 15	– 9	– 1	2	245	34	289
Profit / loss from hedge accounting	–	–	–	–	–	–	–	– 12	–	– 12
Profit / loss from financial assets	–	–	–	–	–	–	–	71	–	71
Profit / loss from invest ments accounted for using the equity method	2	–	–	–	–	–	–	– 9	– 1	– 7
Administrative expenses	92	72	67	48	57	13	32	184	7	572
Other operating profit / loss	– 6	1	2	1	–	–	–	– 143	– 23	– 168
Profit / Loss before reorganisation and taxes	**30**	**49**	**108**	**87**	**– 805**	**46**	**88**	**69**	**– 29**	**– 356**
Reorganisation expenses	–	–	–	–	–	–	–	– 8	–	– 8
Earnings before taxes (EBT)	**30**	**49**	**108**	**87**	**– 805**	**46**	**88**	**61**	**– 29**	**– 364**
Taxes	–	–	–	–	–	–	–	–	42	42
Consolidated profit	**30**	**49**	**108**	**87**	**– 805**	**46**	**88**	**61**	**– 71**	**– 406**
Segment assets	7 172	23 616	39 023	17 128	18 069	8 345	14 634	49 551	– 2 743	174 797
of which: from investments accounted for using the equity method	44	–	–	–	–	–	–	240	–	285
Segment liabilities	7 049	8 451	50 988	3 429	2 911	778	400	100 582	209	174 797
Total risk exposure amount	4 050	13 205	4 348	7 470	15 268	4 505	5 984	5 715	3 692	64 237
Capital employed[1]	377	1 202	395	690	2 180	436	477	1 243	1 167	8 169
CIR	76,9%	34,8%	38,3%	35,7%	27,6%	21,6%	27,7%			49,8%
RoRaC / RoE[2]	15,2%	7,9%	47,0%	21,8%	-69,3%	20,9%	24,0%			-8,9%

(in € million)	30 Jun.2017	30 Jun.2016
Sustainable relating to german local GAAP equity	5 474	8 169
Revaluation reserve	317	406
Consolidated profit	543	– 813
Financial equity	**6 334**	**7 762**

[1] Reconciliation of long-term equity under commercial law to reported equity..
[2] Auf RoRaC at the business level:
(earnings before taxes * 4) / committed core capital
9 per cent of the higher value of the limit and the utilisation of the total risk exposure amount)
RoE at the company level:
(earnings before taxes * 4) / long-term equity under commercial law (= reported equity – revaluation reserve – earnings after taxes).

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

Notes to the income statement

(5) Net Interest Income

Interest income and interest expenses comprise interest received and paid, deferred interest and pro-rata reversals of premiums and discounts relating to financial instruments. Due to the fact that under certain circumstances silent participations are to be classified as debt under IAS 32, payments to silent partners are recognised in interest expenses.

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016[1)] (in € million)	Change (in %)
Interest income			
Interest income from lending and money market transactions	1 543	1 695	– 9
Interest income from debt securities and other fixed-interest securities	229	276	– 17
Interest income from financial instruments at fair value			
Interest income from trading profit / loss and hedge accounting derivatives	1 283	1 306	– 2
Interest income from fair value option	15	18	– 17
Current income			
from shares and other non fixed-interest securities	2	2	–
from investments	9	6	50
	–	21	– 100
Interest income from other amortisations	294	356	– 17
Other interest income and similar income	5	7	– 29
	3 380	**3 687**	**– 8**
Negativ interest income	**29**	**11**	**> 100**
Interest expense			
Interest expenses from lending and money market transactions	651	728	– 11
Interest expenses from securitised liabilities	187	246	– 24
Interest expenses from financial instruments at fair value			
Interest expenses from trading profit / loss and hedge accounting derivatives	1 262	1 254	1
Interest expenses from fair value option	120	116	3
Interest expenses from subordinated capital	96	87	10
Interest expenses from other amortisations	318	304	5
Interest expenses from provisions and liabilities	23	28	– 18
Other interest expenses and similar expenses	1	3	– 67
	2 658	**2 766**	**– 4**
Positiv interest expenses	**38**	**19**	**100**
Total	**731**	**929**	**– 21**

[1)] 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.

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

(6) Loan Loss Provisions

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Income from provisions for lending business			
Reversal of specific valuation allowance	739	266	> 100
Reversal of lumpsum specific loan loss provisions	3	2	50
Reversal of general loan loss provisions	40	119	– 66
Reversal of provisions for lending business	16	25	– 36
Additions to receivables written off	14	13	8
	812	**425**	**91**
Expenses for provisions for lending business			
Allocation to specific valuation allowance	1 140	1 211	– 6
Allocation to lumpsum specific loan loss provisions	2	1	100
Allocation to general loan loss provisions	56	126	– 56
Allocation to provisions for lending business	19	14	36
Direct write-offs of bad debts	41	76	– 46
	1 258	**1 428**	**– 12**
Total	**446**	**1 003**	**– 56**

(7) Net Commission Income

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Commission income			
Commission income from banking transactions	130	172	– 24
Commission income from non-banking transactions	8	6	33
	138	**178**	**– 22**
Commission expense			
Commission expense from banking transactions	70	61	15
	70	**61**	**15**
Total	**68**	**117**	**– 42**

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

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Trading profit / loss			
Profit / loss from debt securities and other fixed-interest securities	– 7	82	> 100
Profit / loss from shares and other non fixed-interest securities	– 1	– 4	– 75
Profit / loss from derivatives	– 136	286	> 100
Interest-rate risks	– 90	251	> 100
Currency risks	– 73	39	> 100
Share-price and other price risks	4	– 12	> 100
Credit derivatives	23	8	> 100
Profit / loss from receivables held for trading	– 70	130	> 100
	– 214	**494**	**> 100**
Foreign exchange result	39	43	– 9
Other income	– 4	–	–
	– 179	**537**	**> 100**
Profit / loss from the fair value option			
Profit / loss from receivables to customers and banks	– 7	11	> 100
Profit / loss from debt securities and other fixed-interest securities	6	43	– 86
Profit / loss from liabilties to banks and customers	281	– 299	> 100
Profit / loss from securitised liabilties	50	– 3	> 100
	330	**– 248**	**> 100**
Total	**151**	**289**	**– 48**

(9) Profit/Loss from Hedge Accounting

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

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Profit / loss from micro fair value hedges			
from hedged underlying transactions	– 160	302	> 100
from derivatives employed as hedging instruments	158	– 300	> 100
	– 2	**2**	**> 100**
Profit / loss from portfolio fair value hedges			
from hedged underlying transactions	36	– 127	> 100
from derivatives employed as hedging instruments	– 21	113	> 100
	15	**– 14**	**> 100**
Total	**13**	**– 12**	**> 100**

(10) Profit/Loss from Financial Assets

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

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Profit / loss from financial assets classified as LaR	**2**	**5**	**– 60**
Profit / loss from financial assets classified as AfS (excluding investments)			
Profit/ loss from the disposal of			
Debt securities and other fixed-interest securities	37	10	> 100
Shares and other non fixed-interest securities	18	1	> 100
Profit / loss from allowances for losses on			
Debt securities and other fixed-interest securities	–	53	– 100
Shares and other non fixed-interest securities	–	– 2	– 100
Other financial assets classified as AfS	7	2	> 100
	62	**64**	**– 3**
Profit / loss from shares in companies (not consolidated)	**2**	**2**	**–**
Total	**66**	**71**	**– 7**

(11) Administrative Expenses

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

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Staff expenses	295	287	3
Other administrative expenses	275	253	9
Amortisation and depreciation	31	32	– 3
Total	**601**	**572**	**5**

(12) Other Operating Profit/Loss

	1 Jan. - 30 Jun. 2017 (in € million)	1 Jan. - 30 Jun. 2016 (in € million)	Change (in %)
Other operating income			
from the reversal of provisions	16	2	> 100
from other business	562	82	> 100
	578	**84**	**> 100**
Other operating expenses			
from allocation to provisions	12	3	> 100
from other business	162	249	– 35
	174	**252**	**– 31**
Total	**404**	**– 168**	**> 100**

Income from other business includes income from the derecognition of receivables (€ 442 million (€ 34 million)), income from the chartering of ships relating to restructuring commitments in lending business (€ 18 million (€ 19 million)), and cost reimbursements (€ 13 million (€ 4 million)).

The expenses from other business mainly comprise expenses from the bank levy (€ 53 million (€ 55 million)), expenses from the disposal of liabilities to banks and customers (€ 26 million (€ 104 million)), expenses to realise charter income from ships (€ 14 million (€ 15 million)), expenses on the buyback of own bonds (€ 11 million (€ 20 million)) and expenses from the disposal of receivables (€ 10 million (€ 3 million)).

This position also includes impairments of ships in the amount of € 20 million (€ 23 million) as well as write-ups of ships in the amount of € 50 million (€ 0 million). The latter are the result of a change in valuation due to ships that are no longer recognised as for sale.

(13) Reorganisation Expenses

This item relates to measures aimed at securing the long-term future and maintaining the competitiveness of the NORD/LB Group. The material and staff costs included in these expenses are reported separately due to their importance. The reorganisation requirements are related to the legal merger with Bremer Landesbank. The figure amounting to a total of € 4 million (€ 8 million) comprises expenses from the allocation to reorganisation provisions, which are the result of the merger with Bremer Landesbank and relate to staff costs.

The items recognised under reorganisation expenses are non-recurring in nature and are not part of the ordinary business activities of the NORD/LB Group.

(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 applicable or enacted as at the reporting date. The current income tax rate for the Group is affected 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 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
German banks	8 563	3 859	> 100
Foreign banks	2 517	2 934	– 14
	11 080	**6 793**	**63**
Other loans and advances			
German banks			
Due on demand	936	1 137	– 18
With a fixed term or period of notice	10 937	11 282	– 3
Foreign Banks			
Due on demand	1 627	1 949	– 17
With a fixed term or period of notice	507	586	– 13
	14 007	**14 954**	**– 6**
Total	**25 087**	**21 747**	**15**

(16) Loans and advances to customers

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances resulting from money market transactions			
Domestic customers	990	1 080	– 8
Customers abroad	626	1 050	– 40
	1 616	**2 130**	**– 24**
Other loans and advances			
Domestic customers			
Due on demand	3 281	2 036	61
With a fixed term or period of notice	64 528	68 861	– 6
Customers abroad			
Due on demand	899	906	– 1
With a fixed term or period of notice	29 257	31 707	– 8
	97 965	**103 510**	**– 5**
Total	**99 581**	**105 640**	**– 6**

(17) Risk provisions

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Specific valuation allowance	3 893	3 577	9
Collective valuation allowances	6	7	– 14
Portfolio valuation allowances	229	213	8
Total	**4 128**	**3 797**	**9**

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

	Specific valuation allowances		Collective valuation allowances		Portfolio valuation allowances		Loan loss provisions		Total	
(in € million)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
1 January	**3 577**	**2 482**	**7**	**7**	**213**	**430**	**47**	**55**	**3 844**	**2 974**
Allocations	1 140	1 211	2	1	56	126	19	14	1 217	1 352
Reversals	739	266	3	2	40	119	16	25	798	412
Utilisation	527	348	–	–	–	–	–	–	527	348
Unwinding	– 47	– 35	–	–	–	–	–	–	– 47	– 35
Effects of changes of foreign exchange rates and other changes	489	– 7	–	–	–	–	–	–	489	– 7
Changes of the basis of consolidation	–	–	–	–	–	–	–	–	–	–
30 Jun.	**3 893**	**3 037**	**6**	**6**	**229**	**437**	**50**	**44**	**4 178**	**3 524**

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

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Trading assets			
Debt securities and other fixed-interest securities	2 393	2 357	2
Shares and other non fixed-interest securities	2	1	100
Positive fair values from derivatives	5 066	5 559	– 9
Trading portfolio claims	2 200	3 143	– 30
	9 661	**11 060**	**– 13**
Financial assets as at fair value through profit or loss			
Loans and advances to banks and customers	198	203	– 2
Debt securities and other fixed-interest securities	1 393	1 263	10
	1 591	**1 466**	**9**
Total	**11 252**	**12 526**	**– 10**

(19) Financial assets

Financial assets include all debt securities and other fixed-interest securities classified as available for sale (AfS), shares and other non-fixed-interest securities, shares in companies which are not measured in accordance with IFRS 10, IFRS 11 or IAS 28 as well as financial assets classified as loans and receivables (LaR).

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

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Financial assets classified as LaR	**2 348**	**2 755**	**– 15**
Financial assets classified as AfS			
Debt securities and other fixed-interest securities	26 117	28 211	– 7
Shares and other non fixed-interest securities	146	182	– 20
Shares in companies (not consolidated)	316	313	1
Other financial assets classified as AfS	68	113	– 40
	26 647	**28 819**	**– 8**
Total	**28 995**	**31 574**	**– 8**

(20) Property and equipment

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Land and buildings	329	334	– 1
Operating and office equipment	53	56	– 5
Ships	134	29	> 100
Other property and equipment	3	1	> 100
Total	**519**	**420**	**24**

(21) Intangible assets

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Software			
Purchased	64	61	5
Internally developed	42	45	– 7
	106	**106**	**–**
Intangible assets under developement	20	16	25
Leasing Property from Finance Lease	4	4	–
Other intangible assets	27	28	– 4
Total	**157**	**154**	**2**

Intangible assets under development refer primarily to purchased software.

(22) Assets held for sale

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

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Loans and advances to banks and customers	302	1 001	– 70
Risk provisioning	187	711	– 74
Financial assets	38	10	> 100
Investments accounted for using the equity method	–	6	– 100
Property and equipment	7	108	– 94
Other assets	–	7	– 100
Total	**160**	**421**	**– 62**

In the 2016 reporting year the NORD/LB Group decided to scale back its portfolio of ship mortgage loans.

A portion of the portfolio with a receivables volume of € 333 million (risk provisioning of € 237 million) will no longer be sold as planned as of May 2017 because a planned securitisation transaction was not carried out. This sub-portfolio is now recognised in its original balance sheet position as loans and advances to customers rather than as an asset held for sale.

In addition, several individual receivables with a total volume of € 274 million (risk provisioning of € 63 million) are no longer recognised in this position on the balance sheet as a result of a sale. The other changes totalling € 92 million are the result of other valuation effects.

The securitisation transaction also included the assets of eleven fully-consolidated subsidiaries and special-purpose entities, each of which represents an individual disposal group. The companies are one-ship companies from the Group Controlling/Others segment, whose main assets are the ships recognised in this position under property and equipment. With the exception of one disposal group, these companies are no longer recognised as assets held for sale. As a result, the ships recognised in this position under property and equipment fell by € 91 million to € 7 million and they will be recognised in the original property and equipment balance sheet position.

The decrease in assets held for sale, all of which are from the Ship Customers segment, resulted in a total positive income statement effect of € 77 million.

Financial assets held for sale amounting to € 38 million (€ 10 million) refer to shares in an investment from the Group Controlling/Others segment. They were classified as held for sale in early September 2016 for the first time. The sale was carried out in July 2017.

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

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

Three ships recognised under property and equipment held for sale in the amount of € 17 million were sold in January and March 2017 from the Ship Customers segment. This resulted in other operating profit of € 5 million.

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

(23) Liabilities to banks

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Deposits from other banks			
German banks	3 155	2 798	13
Foreign banks	1 850	1 546	20
	5 005	**4 344**	**15**
Liabilities resulting from money market transactions			
German banks	6 450	9 558	– 33
Foreign banks	7 814	10 248	– 24
	14 264	**19 806**	**– 28**
Other liabilities			
German banks			
Due on demand	1 963	387	> 100
With a fixed term or period of notice	22 431	23 714	– 5
Foreign banks			
Due on demand	393	518	– 24
With a fixed term or period of notice	708	472	50
	25 495	**25 091**	**2**
Total	**44 764**	**49 241**	**– 9**

(24) Liabilities to customers

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Savings deposits			
With an agreed notice period of three months			
Domestic customers	1 185	1 204	– 2
Customers abroad	12	12	–
With an agreed notice period of more than three months			
Domestic customers	18	25	– 28
Customers abroad	1	1	–
	1 216	**1 242**	**– 2**
Liabilities resulting from money market transactions			
Domestic customers	13 101	12 672	3
Customers abroad	1 787	2 924	– 39
	14 888	**15 596**	**– 5**
Other liabilities			
Domestic costumers			
Due on demand	15 311	13 196	16
With a fixed term or period of notice	22 530	24 295	– 7
Customers abroad			
Due on demand	1 060	1 101	– 4
With a fixed term or period of notice	1 872	1 871	–
	40 773	**40 463**	**1**
Total	**56 877**	**57 301**	**– 1**

(25) Securitised liabilities

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Issued debt securities			
Covered bonds	11 792	10 806	9
Municipal debentures	9 034	9 073	–
Other debt securities	14 566	15 071	– 3
	35 392	**34 950**	**1**
Money market instruments			
Commercial paper	776	579	34
Certificates of deposit	184	286	– 36
	960	**865**	**11**
Total	**36 352**	**35 815**	**1**

Repurchased debt securities issued by the Bank itself in the amount of € 6 006 million (€ 5 797 million) have been deducted directly from securitised liabilities.

The notional volume of issues in the NORD/LB Group totalled € 6 804 million (€ 7 706 million) in the first six months of financial year 2017. Repurchases totalled € 2 935 million (€ 3 146 million), while repayments amounted to € 4 949 million (€ 5 311 million). The amount for issues includes both original issues and securities resold following repurchases. The figures include money market securities, debt securities for securitised liabilities, financial liabilities at fair value through profit or loss (see Note (26)) and subordinated capital (see Note (28)).

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

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives	4 276	5 705	– 25
Delivery obligations from short-sales	82	96	– 15
	4 358	**5 801**	**– 25**
Financial liabilities designated at fair value			
Liabilities to banks and customers	6 239	6 381	– 2
Securitised liabilities	2 897	2 874	1
	9 136	**9 255**	**– 1**
Total	**13 494**	**15 056**	**– 10**

(27) Provisions

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Provisions for pensions and other obligations	2 343	2 433	– 4
Other provisions	306	320	– 4
Total	**2 649**	**2 753**	**– 4**

The other provisions item also includes provisions for reorganisation measures in the amount of € 85 million (€ 106 million).

(28) Subordinated capital

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Subordinated liabilities	3 295	3 385	– 3
Participatory capital	64	64	–
Silent participations	458	535	– 14
Total	**3 817**	**3 984**	**– 4**

(29) Equity

NORD/LB legally held a 54.83 per cent share in its subsidiary, Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale, Bremen (Bremer Landesbank) as at 31 December 2016. A share of 45.17 per cent is held by non-controlling shareholders. On 7 November 2016, NORD/LB concluded a contract with the non-controlling shareholders on the purchase of the remaining shares in the company. The contract is classified as a forward purchase agreement. Therefore, NORD/LB already anticipated the acquisition of the non-controlling shares in the consolidated financial statements as at the reporting date of 31 December 2016: A financial liability was recognised for the obligation to purchase its own equity instruments. The shares of the non-controlling shareholders were derecognised from equity. The difference between the equity capital attributable to non-controlling interests and the purchase price was transferred to retained earnings. Since 1 January 2017, NORD/LB has held all the shares in Bremer Landesbank.

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 whose input data has a significant influence on the fair value measurement.

Level 1

The fair value hierarchy states that a financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. If no market prices or prices actually traded on the OTC market are available, executable prices quoted by dealers or brokers are used in the measurement to determine the value. Quotes from other banks or market makers are applied whenever observable sources of prices other than exchanges are used. The instruments in these circumstances are then assigned to Level 1 if there is an active market for these broker quotations, that is if only minor bid-ask spreads exist and there are several price suppliers with only marginally differing prices. If the price is set on an inactive market or if the broker quotations are for (mixed) prices, the instruments are not assigned to Level 1 but to Level 2 of the measurement hierarchy if the quotations are for 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 or through external pricing services, provided that the measurement in such cases makes either full or significant use of observable input data such as spread curves (Level 2). To measure financial instruments in these situations, valuation methods are used that are widely recognised on the market under normal market conditions (e.g. discounted cash flow methods and the Hull & White model for options) and whose calculations are fundamentally based on inputs available on an active market. A requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired.

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

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

Financial instruments in the NORD/LB Group to be measured in this manner are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions in the Group identify, analyse and assess financial instruments on inactive markets. This approach ensures that inactivity is assessed in the most objective manner possible. The measurement model for financial instruments for which listed prices in active markets cannot be used is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, further components such as foreign currency surcharges.

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

Level 3

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

Level-3 procedures are sometimes used for portfolios of interest-bearing securities for which the market has been classified as inactive. In addition, loans designated for syndication are assigned to Level 3. Level 3 measurement is also used for equity structures. In overall terms, Level 3 financial instruments include trading assets, financial instruments designated at fair value, financial assets recognised at fair value and financial assets recognised at fair value and held for sale.

Establishing Fair Values

The fair values are subject to internal controls and processes in the NORD/LB Group. These controls and procedures are carried out and coordinated in the Finance and Risk Control Divisions. All valuation models used by the Group, input data and the resulting fair values are reviewed regularly.

All relevant factors are taken into account appropriately when determining value. These factors include the bid-ask spread, counterparty risk and business-typical discounting factors. The mid-market price in the bid-ask spread is always used for measurement. This particularly impacts financial instruments such as securities or liabilities with fair values based on prices listed on active markets and financial instruments such as OTC derivatives whose fair values are determined using a measurement method and for which the mid-market price is an observable input in the measurement method.

No listed prices are generally available for OTC market derivatives; their fair values are therefore determined using other measurement methods. The fair values are initially measured using cash flow models, disregarding the counterparty default risk.

The valuation adjustment as a result of the counterparty risk (Credit Value Adjustment (CVA)/Debit Value Adjustment (DVA)) is determined on the basis of the net risk position as per IFRS 13.48. This calculation is based on simulated future market values and, where available, market-implied input data.

The NORD/LB Group measures collateralised OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that collateralised derivatives are no longer discounted using the tenor-specific interest rate, but instead with the OIS interest-rate curve. Uncollateralised derivatives continue to be discounted with the tenor-specific interest rate to establish their fair value. For uncollateralised derivatives the measurement also takes a Funding Valuation Adjustment (FVA) into account, which represents the market-implied funding costs.

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

	30 Jun.2017			31 Dec.2016		
(in € million)	Fair Value	Carrying amount	Difference	Fair Value	Carrying amount	Difference
Assets						
Cash reserve	2 727	2 727	–	1 447	1 447	–
Loans and advances to banks	25 327	25 087	240	22 270	21 747	523
Loans and advances to customers	97 907	99 581	– 1 674	104 810	105 640	– 830
Risk provisioning	–[1]	– 4 128	4 128	–[1]	– 3 797	3 797
Sub-total of loans and advances to banks / customers (net after loan loss provisions)	**123 234**	**120 540**	**2 694**	**127 080**	**123 590**	**3 490**
Balancing items for financial instruments hedged in the fair value hedge portfolio	–[2]	52	– 52	–[2]	130	– 130
Financial assets at fair value through profit or loss	11 252	11 252	–	12 526	12 526	–
Positive fair values from hedge accounting derivatives	1 946	1 946	–	2 327	2 327	–
Financial assets not reported at fair value	2 219	2 386	– 167	2 575	2 794	– 219
Financial assets reported at fair value	26 609	26 609	–	28 780	28 780	–
Financial assets held for sale not reported at fair value	115	115	–	291	291	–
Financial assets held for sale reported at fair value	45	45	–	130	130	–
Other assets not reported at fair value	31	31	–	26	26	–
Other assets reported at fair value	12	12	–	13	13	–
Total	**168 190**	**165 715**	**2 527**	**175 195**	**172 054**	**3 141**
Liabilities						
Liabilities to banks	44 900	44 764	136	49 869	49 241	628
Liabilities to customers	59 229	56 877	2 352	60 285	57 301	2 984
Securitised liabilities	36 692	36 352	340	36 325	35 815	510
Balancing items for financial instruments hedged in the fair value hedge portfolio	–[2]	790	– 790	–[2]	1 033	– 1 033
Financial liabilities at fair value through profit or loss	13 494	13 494	–	15 056	15 056	–
Negative fair values from hedge accounting derivatives	2 421	2 421	–	2 945	2 945	–
Financial liabilities held for sale not reported at fair value	–	–	–	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	4 070	3 817	253	4 164	3 984	180
Total	**160 810**	**158 519**	**2 291**	**168 667**	**165 398**	**3 269**

1) Amounts relating to risk provisioning are shown in the corresponding fair values of loans and advances to banks and loans and advances to customers.
2) Amounts relating to the assets and liabilities item “Adjustment item for financial instruments hedged in the fair value hedge portfolio” are shown in the fair values of the respective items of hedged financial instruments.

It was not possible to reliably determine a fair value for € 38 million (€ 39 million) of financial instruments because there is no active market for these financial instruments and the necessary estimates are not possible within reasonable fluctuation ranges and suitable probabilities of occurrence. These are mainly investments.

The Group intends to retain ownership of these financial instruments.

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

	Level 1		Level 2		Level 3		Total	
(in € million)	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016
Assets								
Assets held for trading	880	1 103	8 722	9 613	59	344	9 661	11 060
Debt securities and other fixed-interest securities	874	1 102	1 519	1 255	–	–	2 393	2 357
Shares and other non fixed-interest securities	2	1	–	–	–	–	2	1
Positive fair values from derivatives	4	–	5 062	5 559	–	–	5 066	5 559
Interest-rate risks	2	–	4 084	4 963	–	–	4 086	4 963
Currency risks	–	–	931	564	–	–	931	564
Share-price and other price risks	2	–	2	3	–	–	4	3
Credit derivatives	–	–	45	29	–	–	45	29
Trading portfolio claims	–	–	2 141	2 799	59	344	2 200	3 143
Financial assets as at fair value through profit or loss	1 038	854	553	612	–	–	1 591	1 466
Loans and advances to customers	–	–	198	203	–	–	198	203
Financial assets	1 038	854	355	409	–	–	1 393	1 263
Debt securities and other fixed-interest securities	1 038	854	355	409	–	–	1 393	1 263
Positive fair values from hedge accounting derivatives	–	–	1 946	2 327	–	–	1 946	2 327
Positive fair values from employed micro fair value hedge derivatives	–	–	1 253	1 576	–	–	1 253	1 576
Interest-rate risks	–	–	1 202	1 520	–	–	1 202	1 520
Currency risks	–	–	51	56	–	–	51	56
Positive fair values from employed portfolio fair value hedge derivatives	–	–	693	751	–	–	693	751
Interest-rate risks	–	–	693	751	–	–	693	751
Financial assets at fair value	9 706	9 207	16 581	19 204	322	369	26 609	28 780
Debt securities and other fixed-interest securities	9 543	9 011	16 572	19 197	2	3	26 117	28 211
Shares and other non fixed-interest securities	147	182	–	–	–	–	147	182
Shares in companies (not consolidated)	16	14	9	7	252	253	277	274
Other financial assets classified as AfS	–	–	–	–	68	113	68	113
Financial assets held for sale reported at fair value	–	–	7	121	38	9	45	130
Other financial assets reported at fair value	12	13	–	–	–	–	12	13
Total assets	**11 636**	**11 177**	**27 809**	**31 877**	**419**	**722**	**39 864**	**43 776**

(in € million)	Level 1 30 Jun. 2017	Level 1 31.12. 2016	Level 2 30 Jun. 2017	Level 2 31.12. 2016	Level 3 30 Jun. 2017	Level 3 31.12. 2016	Total 30 Jun. 2017	Total 31.12. 2016
Liabilities								
Trading liabilities	41	74	4 317	5 725	–	2	4 358	5 801
Negative fair values from derivatives relating to	3	2	4 273	5 701	–	2	4 276	5 705
interest-rate risks	–	1	3 210	3 861	–	1	3 210	3 863
currency risks	–	–	1 061	1 834	–	–	1 061	1 834
share-price and other price risks	3	1	1	1	–	–	4	2
credit derivatives	–	–	1	5	–	1	1	6
Delivery obligations from short-sales and other trading assets	38	72	44	24	–	–	82	96
Financial liabilities reported at fair value	495	–	8 631	9 235	10	20	9 136	9 255
Liabilities to banks	–	–	446	442	–	–	446	442
Liabilities to customers	–	–	5 793	5 939	–	–	5 793	5 939
Securitised liabilities	495	–	2 392	2 854	10	20	2 897	2 874
Negative fair values from hedge accounting derivatives	–	–	2 421	2 945	–	–	2 421	2 945
Negative fair values from employed micro fair value hedge derivatives	–	–	2 202	2 682	–	–	2 202	2 682
interest-rate risks	–	–	1 967	2 385	–	–	1 967	2 385
currency risks	–	–	235	297	–	–	235	297
Negative fair values from employed portfolio fair value hedge derivatives	–	–	219	263	–	–	219	263
interest-rate risks	–	–	219	263	–	–	219	263
Other financial liabilities reported at fair value	1	1	–	–	–	–	1	1
Total liabilities and equity	**537**	**75**	**15 369**	**17 905**	**10**	**22**	**15 916**	**18 002**

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

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

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

1 Jan. - 30 Jun.2017 (in € million)	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Assets						
Assets held for trading	58	–	26	–	–	–
Debt securities and other fixed-interest securities	58	–	26	–	–	–
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	829	–	1 727	–	–	–
Debt securities and other fixed-interest securities	829	–	1 727	–	–	–
Liabilities						
Financial liabilities reported at fair value	–	–	501	–	–	–
Securitised liabilities	–	–	501	–	–	–

An initial assessment regarding the level of financial instruments under assets takes place on an individual transaction basis in accordance with HFA 47. This regulation specifies how financial instruments are to be classified in the various levels, and stipulates, for example, that (mixed) prices calculated by price service agencies on the basis of reported prices are to be allocated to Level 2. Broker quotations must originate from an active market in order to be allocated to Level 1. If there are only a few broker quotations or if these have large bid-ask spreads or major price differences between them, it is assumed that the market is inactive. Based on the above, most transfers between levels as at the reporting date compared to the end of the previous year have taken place between Level 1 and Level 2.

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

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

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

	Trading assets			
	Positive fair values from derivatives Currency risks		Trading portfolio claims and other trading assets	
(in € million)	2017	2016	2017	2016
1 Jan.	–	1	344	64
Effect on the income statement[1]	–	–	– 2	–
Addition from purchase or issuance	–	–	17	71
Disposal from sale	–	–	103	58
Repayment / exercise	–	–	197	5
30 Jun.	**–**	**1**	**59**	**72**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	2	–

[1] The effects reported include measurement gains/losses, realised profit/loss and deferred interest; these are reported in the income statement under the items (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 2017	2016	Shares in companies (not consolidated) 2017	2016	Other financial assets classified as AfS 2017	2016
1 Jan.	**3**	**4**	**253**	**232**	**113**	**137**
Effect on the income statement[1]	–	–	1	–	8	6
Effect on the equity capital	–	–	– 1	9	– 1	– 1
Addition from purchase or issuance	– 1	–	–	14	–	–
Disposal from sale	–	–	1	14	15	7
Repayment / exercise	–	–	–	–	37	1
30 Jun.	**2**	**4**	**252**	**241**	**68**	**134**
Profit / losses result from measurement effects, realisation and deferred interest and are shown in the respective items in the income statement[1]	–	–	–	–	8	–

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

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(in € million)	Financial assets held for sale reported at fair value 2017	2016
1 Jan.	**9**	**–**
Reclassification	29	16
Disposal from sale	–	16
30 Jun.	**38**	**–**

(in € million)	Trading liabilities: Trading liabilities Interest-rate risk 2017	2016	Trading liabilities Currency risks 2017	2016	Trading liabilities Credit derivatives 2017	2016
1 Jan.	**1**	**–**	**–**	**1**	**1**	**–**
Disposal from sale	1	–	–	–	1	–
30 Jun.	**–**	**–**	**–**	**1**	**–**	**–**

(in € million)	Financial liabilities at fair value through profit or loss – Securitised liabilities 2017	2016
1 Jan.	**20**	**4**
Repayment / exercise	10	–
30 Jun.	**10**	**4**

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

Product	Fair Value 30 Jun.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	13 - 200 %	25%
Participations	252	Discount rate	5 - 9 %	8%
Silent participations	68	Discount rate	13%	13%
Loans	59	Rating	Rating Class (25er DSGV-Skala) 6 - 13	Averaged Rating 11
Financial assets held for sale reported at fair value	38	Fair Value	-	-

A significant input that cannot be observed in the market used in the Level 3 fair value measurement of interest-bearing securities is the fair value itself. Due to a lack of market data the measurement uses counterparty prices that qualify as Level 3 inputs. The sensitivity of the fair value measurement is approximated via a price change of 10 per cent and totals € 0.2 million (€ 0.3 million). The above-mentioned amount would have a corresponding effect on other comprehensive income (OCI).

A significant input that cannot be observed in the market used in the fair value measurement of investments is the discount rate. Major changes in this input result in a significantly higher or lower fair value. The sensitivity of the fair value measurement was analysed by increasing and decreasing the discount rate by 50 basis points. This analysis showed that an imputed change in the assumed parameter would result in a change of € 14.6 million (€ 14.3 million) in the fair value of the investments in Level 3, with a corresponding effect on other comprehensive income (OCI).

A significant input that cannot be observed in the market used in the fair value measurement of silent participations is the discount rate. Major changes in this input result in a significantly higher or lower fair value. The sensitivity of the fair value measurement was analysed by increasing and decreasing the discount rate by 100 basis points. This analysis showed that an imputed change in the assumed parameter would result in a change of € 2.4 million (€ 2.5 million) in the fair value of the silent participations in Level 3, with a corresponding effect on other comprehensive income (OCI).

A significant input that cannot be observed in the market and used in the fair value measurement of loans is the internal rating. Major changes in this input result in a significantly higher or lower fair value. The sensitivity of the fair value measurement was analysed by increasing and decreasing the rating by one rating class. This analysis showed that an imputed change in the assumed parameter would result in a change of € 0.1 million (€ 2.1 million) in the fair value of the loans in Level 3, with a corresponding effect on the income statement.

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

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

(31) Derivative financial instruments

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

	Nominal values		Fair value positive		Fair value negative	
(in € million)	30 Jun.2017	31 Dec.2016	30 Jun.2017	31 Dec.2016	30 Jun.2017	31 Dec.2016
Interest-rate risk	286 951	295 181	10 760	12 203	10 244	11 527
Currency risk	45 501	58 170	1 257	620	1 564	2 128
Share price and other price risks	316	213	4	3	4	2
Credit risk	2 867	2 758	45	29	1	6
Total	**335 635**	**356 322**	**12 066**	**12 855**	**11 813**	**13 663**

(32) Disclosures concerning selected countries

The following table shows, in contrast to the exposures in the risk report (see the interim management report), the values recognised in the balance sheet for transactions relating to selected countries (including credit derivatives). The disclosures by country include regional governments, municipalities and state-related companies.

	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
(in € million)	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016
Ireland						
Country	–	–	–	–	20	23
Financing institutes / insurance companies	– 9	– 13	–	–	19	33
Companies / other	31	45	–	–	–	1
	22	**32**	**–**	**–**	**39**	**57**
Italy						
Country	4	4	82	86	917	920
Financing institutes / insurance companies	5	– 2	–	–	37	86
Companies / other	2	6	–	–	58	84
	11	**8**	**82**	**86**	**1 012**	**1 090**
Portugal						
Country	–	– 1	–	–	87	149
Financing institutes / insurance companies	–	– 1	–	–	7	1
Companies / other	–	–	–	–	11	13
	–	**– 2**	**–**	**–**	**105**	**163**

(in € million)	Financial Instruments Held for Trading		Financial Instruments designated at Fair Value through Profit or Loss		Available for Sale Assets	
	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016
Slowenia						
Country	–	–	–	–	–	2
	–	**–**	**–**	**–**	**–**	**2**
Spain						
Country	33	34	–	–	185	198
Financing institutes / insurance companies	– 13	23	–	–	613	910
Companies / other	7	8	–	–	29	41
	27	**65**	**–**	**–**	**827**	**1 149**
Hungary						
Country	–	–	–	–	107	112
	–	**–**	**–**	**–**	**107**	**112**
Cyprus						
Companies / other	8	8	–	–	–	–
	8	**8**	**–**	**–**	**–**	**–**
Total	**68**	**111**	**82**	**86**	**2 090**	**2 573**

For financial instruments categorised as available for sale with a cost totalling € 1 919 million (€ 2 330 million), the cumulative valuation result reported in equity for the selected countries totals € 190 million (€ 102 million).

	Loans and Receivables							
	Gross book value		Specific valuation allowances		Portfolio valuation allowances		Fair Value	
(in € million)	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016
Egypt								
Companies / other	69	44	–	–	–	–	65	45
	69	**44**	**–**	**–**	**–**	**–**	**65**	**45**
Greece								
Companies / other	6	6	–	–	–	–	5	6
	6	**6**	**–**	**–**	**–**	**–**	**5**	**6**
Ireland								
Country	29	–	–	–	–	–	30	–
Financing institutes / insurance companies	125	126	–	–	–	–	126	127
Companies / other	2 253	2 499	–	–	2	2	2 237	2 524
	2 407	**2 625**	**–**	**–**	**2**	**2**	**2 393**	**2 651**
Italy								
Financing institutes / insurance companies	77	78	–	–	–	–	64	63
Companies / other	269	290	–	–	2	–	273	291
	346	**368**	**–**	**–**	**2**	**–**	**337**	**354**
Portugal								
Companies / other	19	21	–	–	–	–	19	21
	19	**21**	**–**	**–**	**–**	**–**	**19**	**21**
Russia								
Financing institutes / insurance companies	110	131	–	–	–	–	110	131
Companies / other	67	66	–	–	–	–	65	63
	177	**197**	**–**	**–**	**–**	**–**	**175**	**194**

	Loans and Receivables							
	Gross book value		Specific valuation allowances		Portfolio valuation allowances		Fair Value	
(in € million)	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016	30 Jun. 2017	31 Dec. 2016
Spain								
Country	53	51	–	–	–	–	54	53
Financing institutes / insurance companies	31	69	–	–	–	–	31	69
Companies / other	130	168	29	30	–	–	121	166
	214	**288**	**29**	**30**	**–**	**–**	**206**	**288**
Hungary								
Financing institutes / insurance companies	4	5	–	–	–	–	4	5
Companies / other	27	27	–	–	–	–	30	27
	31	**32**	**–**	**–**	**–**	**–**	**34**	**32**
Cyprus								
Companies / other	990	1 053	21	31	35	20	724	844
	990	**1 053**	**21**	**31**	**35**	**20**	**724**	**844**
Total	**4 259**	**4 634**	**50**	**61**	**39**	**22**	**3 958**	**4 435**

The nominal value of credit derivatives relating to the selected countries in the NORD/LB Group's portfolio totals € 463 million (€ 812 million). Of this amount, sovereigns account for € 292 million (€ 378 million), financing institutions/insurance companies for € 45 million (€ 341 million) and companies/others for € 126 million (€ 94 million). The Group acts as both a provider and recipient of collateral. The netted fair value of the credit derivatives is € 1 million (€ 1 million).

Other notes

(33) Regulatory data

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

(in € million)	30 Jun.2017	31 Dec.2016
Total risk exposure amount	**53 207**	**59 896**
Capital requirements for credit risk	3 533	4 145
Capital requirements for operational risks	442	409
Capital requirements for market risks	209	166
Capital requirements for loan amount adjustments	73	72
Capital requirements	**4 257**	**4 792**

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

(in € million)	30 Jun.2017	31 Dec.2016
Paid-up capital including premium	4 930	4 930
Reserves	1 575	1 439
Eligible components of CET 1 capital at subsidiaries	–	207
Other components of CET 1 capital	– 176	– 68
– Deductible items (from CET 1 capital)	– 385	– 580
Adjustments due to transition rules	160	825
Common Equity Tier 1 capital	**6 104**	**6 752**
Grandfathered AT1 instruments	443	451
Eligible components of AT 1 capital at subsidiaries	–	24
Adjustments due to transition rules	– 50	– 105
Additional Tier 1 capital	**393**	**369**
Tier 1 capital	**6 496**	**7 122**
Paid-up instruments of Tier 2 capital	2 404	2 568
Eligible components of Tier 2 capital at subsidiaries	–	282
Other components of Tier 2 capital	96	267
– Deductible items (from Tier 2 capital)	– 10	– 10
Adjustments due to transition rules	– 426	– 452
Tier 2 capital	**2 065**	**2 656**
Own funds	**8 561**	**9 777**

(in %)	30 Jun.2017	31 Dec.2016
Common equity tier 1 capital ratio	11,47%	11,27%
Tier 1 capital ratio	12,21%	11,89%
Total capital ratio	16,09%	16,32%

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

(34) Contingent liabilities and other obligations

	30 Jun.2017 (in € million)	31 Dec.2016 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	4 067	4 114	– 1
Other contingent liabilities	23	–	–
	4 090	**4 114**	**– 1**
Other obligations			
Irrevocable credit commitments	9 562	10 418	– 8
Total	**13 652**	**14 532**	**– 6**

(35) Other financial obligations

In March 2017, Bremer Landesbank increased one of its synthetic securitisation transactions by € 1 958 million. As at 30 June 2017, the total volume of the transaction was € 4 712 million. It is based on a credit portfolio comprising the asset classes of renewable energies, corporate customers, community properties, commercial properties and leasing. As part of this increase, the first-loss tranche already placed was increased by € 46 million to € 140 million. This means the expense from the guarantee contract for the current financial year is € 17 million. Fee payments of € 18 million are expected for the following year.

In addition, the NORD/LB Group concluded a guarantee agreement with an external third party with effect as at 5 April 2017. The guarantee is for a portfolio of credit receivables with a total volume of € 11 billion and secures the default risk of the first-loss tranche (in an initial amount of € 103 million). For the mezzanine tranche of the portfolio, an external guarantee already hedges the default risk. The guarantee fees for the current financial year are € 7 million; expenses of € 10 million are expected for the next financial year.

(36) Related Parties

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

30 Jun.2017 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Loans and advances to banks	**–**	**–**	**–**	**239**	**–**	**61**
of which: money market transcations	–	–	–	79	–	–
of which: loans	–	–	–	155	–	61
other loans	–	–	–	155	–	61
Loans and advances to customers	**1 908**	**4**	**–**	**296**	**1**	**402**
of which: loans	1 901	4	–	296	1	402
public-sector loans	1 901	–	–	13	–	385
mortage-backed loans	–	–	–	67	1	3
other loans	–	4	–	216	–	14
Financial assets at fair value through profit or loss	**468**	**–**	**–**	**45**	**–**	**4**
of which: Debt securities and other fixed-interest securities	151	–	–	–	–	–
of which: Positive fair values from derivatives	84	–	–	45	–	1
of which: Trading portfolio claims	232	–	–	–	–	3
Positive fair values from hedge accounting derivatives	**87**	**–**	**–**	**–**	**–**	**–**
Financial assets	**1 298**	**–**	**–**	**17**	**–**	**–**
of which: Debt securities and other fixed-interest securities	1 298	–	–	–	–	–
of which: Shares and other non fixed-interest securities	–	–	–	17	–	–
Total	**3 761**	**4**	**–**	**597**	**1**	**467**

30 Jun.2017 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Liabilities to banks	**–**	**–**	**–**	**270**	**–**	**155**
of which: money market transcations	–	–	–	–	–	10
davon: Einlagen von anderen Banken	–	–	–	–	–	30
Liabilities to customers	**853**	**46**	**2**	**256**	**4**	**675**
of which: money market transcations	–	–	–	–	1	–
of which: saving deposits	418	–	–	15	–	104
Securitised liabilities	**–**	**–**	**–**	**–**	**–**	**1**
Financial liabilities at fair value through profit or loss	**59**	**–**	**–**	**4**	**–**	**215**
of which: negative fair values from derivatives	35	–	–	4	–	–
Negative fair values from hedge accounting derivatives	**15**	**–**	**–**	**–**	**–**	**–**
Subordinated capital	**1**	**50**	**–**	**–**	**–**	**16**
Other liabilities	**590**	**–**	**–**	**–**	**–**	**–**
Total	**1 518**	**96**	**2**	**530**	**4**	**1 062**
Guarantees / sureties received	227	–	–	–	–	–
Guarantees / sureties granted	–	–	–	32	–	8

1 Jan. - 30 Jun.2017 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	20	4	–	11	–	7
Interest income	64	–	–	7	–	9
Other income and expenses	10	–	–	2	– 2	20
Total contributions to income	**54**	**– 4**	**–**	**– 2**	**– 2**	**22**

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

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

1 Jan. - 30 Jun.2016 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest expenses	19	6	–	10	–	8
Interest income	62	–	–	5	–	12
Other income and expenses	– 24	–	–	– 10	– 3	– 6
Total contributions to income	**19**	**– 6**	**–**	**– 15**	**– 3**	**– 2**

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

(37) Basis of consolidation

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

Company name and registered office	Shares (%) indirect	Shares (%) direct
Special Purpose Entities included in the consolidated financial statements		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg	–	–
Fürstenberg Capital II GmbH, Fürstenberg	–	–
Hannover Funding Company LLC, Dover (Delaware) / USA	–	–
KMU Group		
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	–	–
"OLYMPIA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PANDORA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"PRIMAVERA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
"QUADRIGA" Beteiligungsgesellschaft mbH & Co. KG, Elsfleth	–	–
MS "HEDDA SCHULTE" Shipping GmbH & Co. KG, Hamburg	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Sojourner Group		
Callisto Beteiligungsgesellschaft mbH Co.KG, Hamburg	–	–
Ganymede Beteiligungsgesellschaft mbH & Co.KG, Hamburg	–	–
Hyperion Tankschifffahrtsgesellschaft mbH & Co.KG, Hamburg	–	–
Rhea Tankschifffahrtsgesellschaft mbH & Co.KG, Hamburg	–	–
Titan Tankschifffahrtsgesellschaft mbH & Co.KG, Hamburg	–	–
Investment funds included in the consolidated financial statements		
NORD/LB AM ALCO	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint ventures		
Bremische Wohnungsbaubeteiligungsgesellschaft mbH	50.00	–
caplantic GmbH, Hannover	–	45.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	32.26	–
GSG OLDENBURG Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	22.22	–
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	–	44.00
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
Öffentliche Lebensversicherung Braunschweig, Braunschweig [1)]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [1)]	–	75.00
Toto-Lotto Niedersachsen GmbH, Hannover	49.85	–
Investment funds		
Lazard-Sparkassen Rendite-Plus-Fonds	49.18	–
After IFRS 5 valuated companies		
Subsidiaries		
Nordic Stralsund Ltd., Majuro (Marshallinseln)	–	–

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

(38) Events after the reporting date

Following the acquisition of all the shares of Bremer Landesbank by NORD/LB in January 2017, Bremer Landesbank is to be fully integrated in NORD/LB in the reporting year. The legal merger took place on 31 August 2017; in addition, the organisational integration is proceeding. This is the first step in the Group-wide “One Bank” transformation programme, which involves a seamless business model, an operating model modified in line with this new business model and a simplification of the Group’s structure. The next steps will gradually be detailed and implemented. The aim of the “One Bank” transformation programme is to achieve long-term cost savings of up to € 200 million and reduce upwards of 1,250 positions by the end of 2020. Talks regarding potential measures were started with the Works Council in the second quarter of 2017. An agreement is expected in the third quarter of 2017. With the fulfilment of the application criteria set out in IAS 37, the corresponding provisions for restructuring were recognised in the financial statements.

Preparation and Review

Report of the Supervisory Board

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

Hannover / Braunschweig / Magdeburg, den 22. August 2017

Norddeutsche Landesbank Girozentrale

The Managing Board

Bürkle	Brouzi	Dieng
Dr. Holm	Schulz	Tallner

Review Report

To NORD/LB Norddeutsche Landesbank – Girozentrale –, Hanover, Braunschweig and Magdeburg

We have reviewed the condensed interim consolidated financial statements of Norddeutsche Landesbank - Girozentrale – comprising the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and the condensed notes – together with the interim group management report of Norddeutsche Landesbank - Girozentrale – for the period from 1 January to 30 June 2017, which are part of the semi-annual report in accordance with § 37w of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those International Financial Reporting Standards (IFRSs) applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

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

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

Hannover, den 23. August 2017
KPMG AG
Wirtschaftsprüfungsgesellschaft

Leitz
Wirtschaftsprüfer

Bormann
Wirtschaftsprüfer

Other Information

Members of governing bodies

1. Members of the managing board

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

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

Ulrike Brouzi

Christoph Dieng
(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

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

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

Frank Berg
Chairman of the Managing Board,
Ostsee Sparkasse Rostock

Norbert Dierkes
Chairman of the Managing Board,
Sparkasse Jerichower Land

Edda Döpke
Bank employee,
NORD/LB Hanover

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

Frank Hildebrandt
Bank employee,
NORD/LB Braunschweig

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Mägde
Mayor of the Hanseatic City of Lüneburg

Ulrich Markurth
Mayor of Braunschweig

Ludwig Momann
Chairman of the Managing Board,
Sparkasse Emsland

Felix von Nathusius
Entrepreneur

Antje Niewisch- Lennartz
Justice Minister of Lower Saxony

Frank Oppermann
Bank employee,
NORD/LB Hannover

Freddy Pedersen
Trade union secretary
ver.di Trade Union

Jörg Reinbrecht
Trade union secretary
ver.di Trade Union

Stefanie Rieke
Bank employee,
NORD/LB Magdeburg

Forward-looking Statements

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

Finance calendar 2017

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

Our annual and interim reports can be downloaded from www.nordlb.de/reports and ordered from geschaeftsbericht@nordlb.de.

Please contact Investor Relations to order a report or if you have any questions.
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Branches (including Braunschweigische Landessparkasse)

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

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

Foreign branches
London, New York, Singapore, Shanghai

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

Die norddeutsche Art.

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