

**Disclosure Report
in accordance with the EU Capital
Requirements Regulation (CRR)**

as at 30 June 2017

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

1 Preamble

With this report as at 30 June 2017, the Norddeutsche Landesbank Girozentrale, Hanover, (NORD/LB), as the superordinate institute of the NORD/LB Group, discloses the required qualitative and quantitative information of the NORD/LB Group in accordance with the CRR (Capital Requirements Regulation) as of the aforementioned effective date.

The disclosure in this scope is carried out pursuant to EBA/GL/2014/14, since the consolidated assets are over EUR 30 billion. As the NORD/LB Luxembourg S.A. Covered Bond Bank has not reached this amount, no separate Disclosure Report for this significant participating interest will be issued.

For the Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen as well as the Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover, as subsidiaries of NORD/LB, use is made of the waiver option of Art. 7 para. 1 of the CRR, which allows the parent institute to exempt subsidiary institutes from some requirements at individual institute level in accordance with Art. 6 para. 1 of the CRR. As a result, for both institutes there is generally no disclosure requirement at individual institute level. With the legal merger of Bremer Landesbank and NORD/LB as of the effective date of 31 August 2017 any disclosure obligation of Bremer Landesbank ends.

The disclosure report is issued as an additional document to the annual report of the NORD/LB Group. Information on the structure and adequacy of capital, credit risks in the IRB (internal rating based) approach and the leverage ratio has been disclosed. The quantitative information in this report is based on the International Financial Reporting Standards (IFRS), which were also the basis for drawing up the regulatory reports in the NORD/LB Group as of the reporting date and in accordance with the CRR.

For additional information in the context of risk please refer to the Management Report of the NORD/LB Group (The Group – basic information/ Risk management as well as Forecast, opportunities and risk report/Extended risk report). Here detailed explanations are given on the risk development for each material type of risk during the reporting period, as well as an outlook on expected future developments.

The Disclosure Report is published in accordance with Art. 434 of the CRR on NORD/LB's website at www.nordlb.de/investor-relations/reports.

2 Capital Structure and Adequacy

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2.1 Method used for Balance-Sheet Reconciliation

In Table 1, in accordance with Art. 437 (1) a) of the CRR, a reconciliation of the equity items – including the regulatory corrections and deductions – is carried out for the audited balance sheet. The table only illustrates positions which are relevant to the regulatory capital.

The deviation between IFRS and FinRep (Financial Reporting) values is mainly due to the different consolidation groups under commercial law and the applicable regulatory law.

Table 1: Reconciliation statement

Balance Sheet

Assets	IFRS 30 June 2017 (in € million)	FinRep 30 June 2017 (in € million)	Reference to Table 2
Financial assets at fair value through profit or loss	11 252	11 266 ¹⁾	
of which: non-significant investments in Common Equity Tier 1 capital	–	1	9
Financial assets	28 995	30 398	
of which: significant investments in Common Equity Tier 1 capital	–	173	10
of which: non-significant investments in Common Equity Tier 1 capital	–	253	9
of which: non-significant investments in Additional Tier 1 capital	–	0	9
of which: non-significant investments in Tier 2 capital	–	68	9
Shares in companies accounted for using the equity method	243	189 ³⁾	11
of which: Goodwill	–	13	6
Intangible assets	157	157	6
Deferred income taxes	607	3 644	
of which: deferred tax assets not due to temporary differences (losses c/f)	–	0	7
of which: deferred tax assets due to temporary differences	–	3 643	8

Liabilities	IFRS 30 June 2017 (in € million)	FinRep 30 June 2017 (in € million)	Reference to Table 2
Financial liabilities at fair value through profit or loss	13 494	13 493 ¹⁾ 2)	
Negative fair values from hedge accounting derivatives	2 421	2 421 ²⁾	
Deferred income taxes	81	3 088	
of which: deferred tax liabilities relating to intangible assets	–	17	6
of which: deferred tax liabilities not due to temporary differences	–	0	7
of which: deferred tax liabilities due to temporary differences	–	3 012	8
Subordinated capital	3 817	3 818	12
Equity			
Subscribed capital	1 607	1 607	1
Capital reserves	3 332	3 332	2
Retained earnings	1 197	1 322	3
Revaluation reserve	317	262	4
Currency translation reserve	–9	–9	5
Additional equity components	49	49	
Equity attributable to the owners of NORD/LB	6 494	6 564	
Non-controlling interests	– 161	0	
	6 334	6 564	

¹⁾ The financial assets and liabilities at fair value through profit or loss include written credit derivatives for finance companies with a nominal value of € 26 million.

²⁾ Debit value adjustments (DVA) result from original and derivative liabilities. As at the reporting date DVA total € 125 million.

³⁾ Shares in finance companies, which are accounted for in the consolidated financial statements using the equivalence method in accordance with § 32 of the German Solvency Regulation, are included in capital calculation in the threshold process.

The capital of the NORD/LB Group amounts to € 8,561 million as at 30 June 2017. This is made up of Tier 1 Capital of € 6,496 million and Tier 2 Capital of € 2,065 million. The Tier 1 Capital consists of instruments of Common Equity Tier 1 Capital (€ 6,104 million) as well as instruments of the Additional Tier 1 Capital (€ 393 million).

The Common Equity Tier 1 Capital consists of paid-up capital instruments (€ 1,607 million), premiums (€ 3,322 million), retained earnings (€ 1,528 million) and accumulated other comprehensive income (€ -104 million). In addition, as of the reporting date protected instruments amounting to € 34 million as well as by the supervisory authority approved interim profits (€ 214 million) are included in the Common Equity Tier 1 Capital.

Regulatory adjustments in the amount of € 497 million subsequently reduce the Common Equity Tier 1 Capital.

The Additional Tier 1 Capital only contains effects from the transitional arrangements of the CRR. This results in a positive balance from the effects of the transitional arrangements in the amount of € 393 million in Additional Tier 1 Capital.

The Tier 2 Capital consists of paid-up capital instruments (€ 2,404 million) and an attributable amount for credit risk adjustments (€ 96 million). The transitional arrangements or deductions lead to a reduction in the Tier 2 Capital of € 436 million.

Table 2 shows the composition of the regulatory capital during the transitional period, and was drawn up in accordance with the Commission's Implementing Regulation (EU) No 1423/2013.

Table 2: Structure of capital during the transitional period

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Common Equity Tier 1 capital (CET1): Instruments and reserves				
Capital instruments and the associated premium	4 930	Art. 26 (1), 27, 28, 29 of the CRR in conjunction with EBA breakdown in accordance with Art 26 (3) of the CRR		
of which: subscribed capital	1 607	EBA breakdown in accordance with Art 26 (3) of the CRR		1
of which: Capital reserves	3 322	EBA breakdown in accordance with Art 26 (3) of the CRR		2
Retained earnings	1 528	Art. 26 (1) (c) of the CRR		3
Accumulated other comprehensive income (and other reserves, to take account of non-realised profits and losses in accordance with the applicable accounting standards)	- 104	Art. 26 (1) of the CRR		
of which: Revaluation reserve	- 93			4
of which: Currency translation reserve	- 11			5
Amount of the items as defined by art. 484 para. 3 of the CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire	34	Art. 486 (2) of the CRR		
State capital allocations with grandfathering rights to 1 January 2018	N/A	Art. 483 (2) of the CRR		
Minority interest	0	Art. 84, 479, 480 of the CRR	0	
Interim profit independently audited, less all foreseeable levies or dividends	214	Art. 26 (2) of the CRR		
Common Equity Tier 1 capital (CET1) before regulatory adjustments	6 601			
Common Equity Tier 1: regulatory adjustments				
Additional valuation adjustments (negative amount)	- 52	Art. 34, 105 of the CRR		
Intangible assets (net of related tax liability) (negative amount)	- 122	Art. 36 (1) (b), 37, 472 (4) of the CRR	- 31	6
Deferred tax assets dependent on future profitability, less claims resulting from temporary differences (less corresponding tax liabilities if the conditions of art. 38 para. 3 are satisfied) (negative amount)	0	Art. 36 (1) (c), 38, 472 (5) of the CRR	0	7
Reserves from profits or losses from transactions for hedging payment flows accounted for at fair value	0	Art. 33 (a) of the CRR		
Negative amounts from the calculation of anticipated losses	- 159	Art. 36 (1) (d), 40, 159, 472 (6) of the CRR	- 40	
Increase in capital resulting from securitised assets (negative amount)	0	Art. 32 (1) of the CRR		

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Profits dependent on changes to the Bank's credit rating or losses from the Bank's liabilities at fair value through profit or loss	-82	Art. 33 (b) of the CRR		
Profits and losses from derivative liabilities at fair value resulting from the Bank's own credit risk	-34	Art. 33 (c) of the CRR	-9	
Assets from pension funds with defined benefit (negative amount)	0	Art. 36 (1) (e), 41, 472 (7) of the CRR	0	
Direct and indirect positions of a bank in its own instruments of Common Equity Tier 1 (negative amount)	0	Art. 36 (1) (f), 42, 472 (8) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the Bank's capital (negative amount)	0	Art. 36 (1) (g), 44, 472 (9) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the institute holds no <u>significant investment</u> (less than 10% and less eligible sales positions) (negative amount)	0	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the Bank holds a <u>significant investment</u> (more than 10% and less eligible sales positions) (negative amount)	0	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 to 3), 79, 470, 472 (11) of the CRR	0	
Exposure from the following items allocated a risk weighting of 1250% if the Bank alternatively deducts this exposure from the amount of the items of the Common Equity Tier 1	0	Art. 36 (1) (k) of the CRR		
of which: qualified investments outside the financial sector (negative amount)	0	Art. 36 (1) (k) (i), 89, 90, 91 of the CRR		
of which: securitisation exposures (negative amount)	0	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 of the CRR		
of which: Advance payments (negative amount)	0	Art. 36 (1) (k) (iii), 379 (3) of the CRR		
Deferred tax assets dependent on future profitability resulting from temporary differences (above the threshold of 10, less corresponding tax liabilities if the conditions of art. 38 para.3 are satisfied) (negative amount)	-19	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) of the CRR	-15	8
Amount above the 15% threshold (negative amount)	0	Art. 48 (1) of the CRR		
Direct and indirect positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the Bank holds a significant investment	0	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) of the CRR		

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
of which: deferred tax assets dependent on future profitability resulting from temporary differences	0	Art. 36 (1) (c), 38,48 (1) (a), 470, 472 (5) of the CRR		
Losses from the current financial year (negative amount)	- 50	Art. 36 (1) (a), 472 (3) of the CRR	- 12	
Foreseeable tax burden on items of Common Equity Tier 1 (negative amount)	0	Art. 36 (1) (l) of the CRR		
Regulatory adjustments of Common Equity Tier 1 relating to amounts subject to the pre-CRR treatment				
Regulatory adjustments in connection with non-realised profits and losses in accordance with articles 467 and 468 of the CRR	21	Art. 467, 468 of the CRR		
of which: non-realised losses	19			
of which: non-realised losses from government bonds	2			
Amount to be deducted from or added to the Common Equity Tier 1 relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	0	Art. 481 of the CRR		
of which: Other deductions from Common Equity Tier 1	0	Art. 481 of the CRR		
Amount of the items deductible from the items of Additional Tier 1 capital that exceed the Bank's Additional Tier 1 capital (negative amount)	0	Art. 36 (1) (j) of the CRR		
Total regulatory adjustments to Common Equity Tier 1 capital (CET1)	- 497			
Common Equity Tier 1 capital (CET1)	6 104			
Additional Tier 1 capital (AT1): instruments				
Capital instruments and the associated premium	0	Art. 51, 52 of the CRR		
of which: classed as capital in accordance with applicable accounting standards	N/A			
of which: classed as liabilities in accordance with applicable accounting standards	N/A			
Amount of the items as defined by article 484 para. 4 plus the associated premium, whose mandatory inclusion in the CET 1 will expire	443	Art. 486 (3) of the CRR		
State capital allocations with grandfathering rights to 1 January 2018	N/A	Art. 483 (3) of the CRR		
Instruments of the qualified Tier 1 capital included in the consolidated Additional Tier 1 capital (including majority shareholdings not included in Common Equity Tier 1) issued by subsidiaries and held by third parties	0	Art. 85, 86, 480 of the CRR	0	
of which: instruments issued by subsidiaries whose mandatory inclusion will expire	N/A	Art. 486 (3) of the CRR		
Additional Tier 1 capital (AT1) before regulatory adjustments	443			

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Additional Tier 1 capital (AT1): regulatory adjustments				
Direct and indirect positions of a bank in its own instruments of Additional Tier 1 capital (negative amount)	0	Art. 52 (1) (b), 56 (a), 57, 475 (2) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in instruments of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the Bank's capital (negative amount)	0	Art. 56 (b), 58, 475 (3) of the CRR	0	
Direct and indirect positions of the Bank in Additional Tier 1 instruments of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions) (negative amount)	0	Art.56 (c), 59, 60, 79, 475 (4) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in Additional Tier 1 instruments of companies in the financial sector in which the Bank holds a significant investment (more than 10% and less eligible sales positions) (negative amount)	0	Art. 56 (d), 59, 79, 475 (4) of the CRR	0	
Regulatory adjustments of Additional Tier 1 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)				
Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Common Equity Tier 1 during the transitional period in accordance with article 472 of Regulation (EU) No. 575/2013	- 50	Art. 472, 472 paras. 3a, 4, 6, 8(a), 9, 10a and 11 a of the CRR		
of which: Intangible assets	- 31			
of which: shortfall between valuation allowances and expected loss	- 20			
Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Tier 2 capital during the transitional period in accordance with article 475 of the Regulation (EU) No. 575/2013	0	Art. 477, 477 paras. 3 and 4a of the CRR		
Amount to be deducted from or added to the Additional Tier 1 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	0	Art. 467, 468, 481 of the CRR		
Amount of the items deductible from the items of Tier 2 capital that exceed the Bank's Tier 2 capital (negative amount)	0	Art. 56 (e) of the CRR		
Total regulatory adjustments to Additional Tier 1 capital (AT1)	- 50			
Additional Tier 1 capital (AT1)	393			
Tier 1 capital (T1 = CET1 + AT1)	6 496			

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Tier 2 capital (T2): Instruments and reserves				
Capital instruments and the associated premium	2 404	Art. 62, 63 of the CRR		12
Amount of the items as defined by article 484 para. 5 plus the associated premium, whose mandatory inclusion in the T2 will expire	0	Art. 486 (4) of the CRR		
State capital allocations with grandfathering rights to 1 January 2018	N/A	Art. 483 (4) of the CRR		
Qualifying capital instruments included in the consolidated Tier 2 capital (including as yet unrecorded minority shareholdings and AT1 instruments) issued by subsidiaries and held by third parties	0	Art. 87, 88, 480 of the CRR	0	
of which: instruments issued by subsidiaries whose mandatory inclusion will expire	0	Art. 486 (4) of the CRR		
Credit-risk adjustments	96	Art. 62 (c) and (d) of the CRR		
Tier 2 capital (T2) before regulatory adjustments	2 501			
Tier 2 capital (T2): regulatory adjustments				
Direct and indirect positions of a bank in its own instruments of Tier 2 capital and subordinated loans (negative amount)	- 10	Art. 63 (b) (i), 66 (a), 67, 477 (2) of the CRR	0	
Direct, indirect and synthetic positions of the Bank in Tier 2 capital or subordinated loans of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the Bank's capital (negative amount)	0	Art. 66 (b), 68, 477 (3) of the CRR	0	
Direct and indirect positions of the Bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions) (negative amount)	0	Art. 66 (c), 69, 70, 79, 477 (4) of the CRR	0	
of which: new positions not subject to transitional provisions	N/A			
of which: positions existent prior to 1 January 2013 and subject to transitional provisions	N/A			
Direct, indirect and synthetic positions of the Bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds a significant investment (more than 10% and less eligible sales positions) (negative amount)	0	Art. 66 (d), 69, 79, 477 (4) of the CRR	0	
Regulatory adjustments of Tier 2 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)				

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Remaining amounts deductible from Tier 2 capital relating to items deductible from the Common Equity Tier 1 during the transitional period in accordance with article 472 of Regulation (EU) No. 575/2013	- 20	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) of the CRR		
of which: shortfall between valuation allowances and expected loss	- 20			
Remaining amounts deductible from Tier 2 capital relating to items deductible from the additional Common Equity Tier 1 during the transitional period in accordance with article 475 of the Regulation (EU) No. 575/2013	0	Art. 475, 475 (2) (a), (3), (4) (a) of the CRR		
Amount to be deducted from or added to the Tier 2 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	- 406	Art. 467, 468, 481 of the CRR		
of which: adjustments due to grandfathering provisions	- 406			
Total regulatory adjustments to Tier 2 capital (T2)	- 436			
Tier 2 capital (T2)	2 065			
Total capital (TC = T1 + T2)	8 561			
Risk-weighted assets				
Risk-weighted assets relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	0			
of which: items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) of the CRR		
of which: items not deductible from the items of Additional Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	N/A	Art. 475, 475 (2) (b), (2) (c) and (4) (b) of the CRR		
of which: items not deductible from the items of Tier 2 capital (Regulation (EU) No. 575/2013, remaining amounts)	N/A	Art. 477, 477 (2) (b), (2) (c), (4) (b) of the CRR		
Total risk-weighted assets	53 207			
of which: Credit risk	44 167			
of which: credit-risk-related valuation adjustment (CVA)	907			
of which: market-price risk	2 610			
of which: operational risk	5 523			

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Equity ratios and buffers				
Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure)	11.5	Art. 92 (2) (a), 465 of the CRR		
Tier 1 capital ratio (expressed as a percentage of the total exposure)	12.2	Art. 92 (2) (b), 465 of the CRR		
Regulatory capital ratio (expressed as a percentage of the total exposure)	16.1	Art. 92 (2) (c) of the CRR		
Bank-specific requirements relating to the capital buffer (minimum requirement regarding Common Equity Tier 1 ratio in accordance with art. 92 para. 1 a, plus the requirements regarding the capital-maintenance buffer and counter-cyclical capital buffer, systemic-risk buffer and buffer for systemically important institutions (G-SIIs or O-SIIs), expressed as a percentage of the total exposure)	6.1	Art. 128, 129, 130 of the CRD IV		
of which: capital-maintenance buffer	1.3			
of which: counter-cyclical capital buffer	0.0			
of which: systemic-risk buffer	0			
of which: buffer for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs)	0.3	Art. 131 of the CRD IV		
Available Common Equity Tier 1 for the buffers (expressed as percentage of the total exposure)	7.0	Art. 128 of the CRD IV		
Amounts under the deduction thresholds (before risk weighting)				
Direct and indirect positions of the Bank in capital instruments of companies in the financial sector in which the institute holds no significant investment (less than 10% and less eligible sales positions)	371	Art. 36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) of the CRR		9
Direct and indirect positions of the Bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the Bank holds a significant investment (more than 10% and less eligible sales positions)	173	Art. 36 (1) (i), 45, 48, 470, 472 (11) of the CRR		10, 11
Deferred tax assets dependent on future profitability resulting from temporary differences (below the threshold of 10%, less corresponding tax liabilities if the conditions of art. 38 para. 3 are satisfied)	632	Art. 36 (1) (c), 38, 48 470, 472 (5) of the CRR		

	Capital based on (EU) Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference to Table 1
Applicable caps for the inclusion of valuation allowances in the Tier 2 capital				
Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the standard approach (before application of the cap)	0	Art. 62 of the CRR		
Cap for inclusion of credit-risk adjustments in the Tier 2 capital within the standard approach	54	Art. 62 of the CRR		
Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the approach based on internal assessments (before application of the cap)	96	Art. 62 of the CRR		
Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	234	Art. 62 of the CRR		
Equity instruments subject to the transitional provisions (only applicable from 1 January 2013 to 1 January 2022)				
Current cap for CET 1 instruments subject to the transitional provisions	34	Art. 484 (3), 486 (2), (5) of the CRR		
Amount excluded from CET 1 due to the cap (amount above cap after reconciliations and maturities)	0	Art. 484 (3), 486 (2), (5) of the CRR		
Current cap for AT 1 instruments subject to the transitional provisions	443	Art. 484 (4), 486 (3), (5) of the CRR		
Amount excluded from AT 1 due to the cap (amount above cap after reconciliations and maturities)	- 8	Art. 484 (4), 486 (3), (5) of the CRR		
Current cap for T2 instruments subject to the transitional provisions	0	Art. 484 (5), 486 (4), (5) of the CRR		
Amount excluded from T2 due to the cap (amount above cap after reconciliations and maturities)	0	Art. 484 (5), 486 (4), (5) of the CRR		

2.2 Main Features of the Capital Instruments

The table “Main features of the capital instruments” is published due to its size as a separate Excel file alongside the Disclosure Report on the NORD/LB website at <https://www.nordlb.com/nordlb/investor-relations/reports/>.

2.3 Capital Adequacy / Capital Requirements by Risk Type

In Table 3 the regulatory capital requirements according to Art. 438 and 445 of the CRR are designated based on the material types of risk and approaches used.

Table 3: Capital requirements

Credit risk	Capital requirement 30 June 2017	Capital requirement 31 Dec. 2016
(in € million)		
1 Credit risks		
1.1 Credit risk – standard approach		
Central governments or central banks	14	15
Regional or local authorities	8	17
Other public institutions	23	19
Multilateral development banks	–	–
International organisations	–	–
Banks	7	9
Companies	176	220
Retail business	14	14
Positions collateralised with real estate	13	14
Risk positions in default	3	5
Very high-risk positions	1	1
Mortgage bonds issued by banks	3	3
Risk positions with banks and companies with a short-term credit rating	0	–
Collective investment undertakings (CIU)	–	–
Other positions	7	10
Total for credit risk – standard approach	268	327
1.2 IRB approaches		
Central governments or central banks	161	185
Banks	217	216
Companies – SMEs	326	328
Companies – special finance	1 094	1 412
Companies – other	1 149	1 170
Retail business collateralised with mortgages – SMEs	–	–
Retail business collateralised with mortgages – SMEs	13	13
Retail business – qualified, revolving	1	1
Retail business – other, SMEs	–	–
Retail business – other not including SMEs	23	22
Other non-loan-dependent assets	44	72
Total for IRB approaches	3 028	3 420
1.3 Securitisations		
Securitisations under the CRSA approach	–	–
of which: re-securitisations	–	–
Securitisations under the IRB approach	146	278
of which: re-securitisations	–	–
Total securitisations	146	278

Credit risk (in € million)	Capital requirement 30 June 2017	Capital requirement 31 Dec. 2016
1.4 Investments		
Investments under the IRB approach	9	19
of which: internal model approach	–	–
of which: PD/LGD approach	–	–
of which: simple risk-weighting approach	9	19
of which: exchange-traded investments	–	–
of which: investments which are not exchange-traded but belong to a diversified investment portfolio	–	–
of which: other investments	9	19
Investments under the CRSA approach	76	94
of which: investment values in the case of continued use of the old methodology/grandfathering	–	–
Total investments	85	113
1.5 Risk-position amount for contributions to the default fund of a central counterparty	6	6
Total credit risks	3 533	4 145
2. Clearing risks		
Clearing risks in the banking book	–	–
Clearing risks in the trading book	0	0
Total clearing risks	0	0
3. Market-price risks		
Standard approach	58	56
of which: Interest-rate risks	45	49
of which: general and specific interest-rate risk (net interest position)	45	49
of which: specific interest-rate risk for securitisation exposures in the trading book	–	–
of which: specific interest-rate risk in the correlation trading portfolio	–	–
of which: share-price risks	–	–
of which: currency risks	12	7
of which: risks from commodity positions	0	0
Internal model approach	151	111
Total market-price risks	209	166
4. Operational risks		
Basic-indicator approach	–	–
Standard approach	442	409
Advanced measurement approach	–	–
Total operational risks	442	409
5. Total amount of risk positions for credit value adjustment	73	72
6. Total amount of risk positions relating to large loans in the trading book	–	–
7. Other	–	–
Other exposures	–	–
Total amount of capital requirements	4 257	4 792

3 Disclosures concerning Credit Exposure (IRB Approach)

- 24 3.1 Credit Risk by PD Class
(not including retail)
- 26 3.2 Retail Credit Volume by PD Class

3.1 Credit Risk by PD Class (not including retail)

In Table 4 the total credit volume that is dealt with in the IRBA (internal rating based approach) is represented in accordance with Art. 452 d) of the CRR broken down by PD class. The average probability of default (\emptyset PD) as well as the average risk weight (\emptyset RW) are presented in addition to the credit exposure. The position values are presented after credit risk mitigation.

With regard to Table 4, equity holdings must only be disclosed as a separate portfolio if the PD/LGD approach is used for equity instruments in the

banking book. This is currently not the case for the NORD/LB Group. A separate representation of the items referred to in Art. 452 d) of the CRR, for which the company's own LGD and CCF (credit conversion factor) estimates are performed, has not been completed, as the advanced IRBA is only relevant for the NORD/LB Group in retail business.

In order to make the table easier to read, the comparison values as at 31 December 2016 are not reported. Please see instead the Disclosure Report as at 31 December 2016, p. 54, Table 20.

Table 4: Total credit volume by PD class (not including retail)

Exposure class	Total amount of outstanding credit commitments (in € million)	Exposure values (in € million) of which outstanding credit commitments	Ø PD (in %)	Exposure value weighted with PD (in € million)	Ø RW (in %)	Exposure value weighted with RW (in € million)
PD Class 1: PD 0 % to < 0.5 %						
Central governments or central banks	16	6702	12	0.02	1	478
Banks	1 200	16 829	217	0.08	13	2 369
Companies	9 030	41 717	4 382	0.15	63	13 928
Total	10 246	65 248	4 611	0.12	78	16 774
PD Class 2: PD 0.5 % to < 5 %						
Central governments or central banks	–	9	–	1.38	0	10
Banks	68	427	35	0.85	4	314
Companies	3 498	11 992	1 676	1.19	142	10 628
Total	3 566	12 428	1 711	1.18	146	10 952
PD Class 3: PD 5 % to < 100 %						
Central governments or central banks	–	0	–	20.00	0	0
Banks	0	10	0	15.54	2	25
Companies	102	3 253	46	15.86	516	7 288
Total	102	3 264	46	15.86	518	7 313
PD Class 4: Default – PD 100 %						
Central governments or central banks	–	–	–	–	–	–
Banks	44	39	33	100.00	39	0
Companies	222	9 786	118	100.00	9 786	0
Total	266	9 826	152	100.00	9 826	0
PD Class 5: Total (excluding default)						
Central governments or central banks	16	6 711	12	0.02	2	488
Banks	1 268	17 267	252	0.11	19	2 708
Companies	12 631	56 962	6 104	1.27	722	31 844
Total	13 914	80 940	6 368	0.92	742	35 039

3.2 Retail Credit Volume by PD Class

In Table 5 the total credit volume that will be covered in the Retail IRBA is represented in accordance with Art. 452 f) of the CRR for PD classes. The average loss given default (\emptyset LGD), the average probability of default (\emptyset PD) as well as the average risk weight (\emptyset RW) are presented in addition to the credit exposure. The position values are presented after credit risk mitigation.

In order to make the table easier to read, the comparison values as at 31 December 2016 are not reported. Please see instead the Disclosure Report as at 31 December 2016, p. 56, Table 22.

Table 5: Retail credit volume by PD class

Exposure class	Exposure values (in € million)		Ø exposure value of outstanding credit com- mitments (in %)	Carrying amount of outstanding credit com- mitments (in € million)	Ø LGD (in %)	Exposure value weighted with LGD (in € million)	Ø PD (in %)	Exposure value weighted with PD (in € million)	Ø RW (in %)	Exposure value weighted with RW (in € million)
PD Class 1: PD 0 % to < 0.5 %										
Retail business: qualified, revolving	241	228	59.26	384	45.20	109	0.06	0	1.70	4
Retail business: residential real-estate loans	904	3	99.12	3	32.28	292	0.15	1	10.42	94
Retail business: other	983	107	77.96	137	53.00	521	0.16	2	18.01	177
Total	2 128	338	64.38	524	43.31	922	0.14	3	12.94	275
PD Class 2: PD 0.5 % to < 5 %										
Retail business: qualified, revolving	20	11	61.83	17	44.90	9	1.32	0	21.35	4
Retail business: residential real-estate loans	75	0	100.00	0	33.59	25	1.64	1	56.61	42
Retail business: other	142	7	85.79	8	54.16	77	1.55	2	61.10	87
Total	237	18	69.40	25	46.88	111	1.56	4	56.26	133
PD Class 3: PD 5 % to < 100 %										
Retail business: qualified, revolving	1	0	60.95	1	45.32	1	11.06	0	87.41	1
Retail business: residential real-estate loans	11	-	-	-	33.39	4	16.87	2	166.64	19
Retail business: other	21	1	88.10	1	52.73	11	15.34	3	104.82	22
Total	34	1	73.48	1	45.97	16	15.67	5	124.74	43
PD Class 4: Default – PD 100 %										
Retail business: qualified, revolving	0	0	100.00	0	5.47	0	100.00	0	68.43	0
Retail business: residential real-estate loans	5	0	100.00	0	10.91	1	100.00	5	136.40	7
Retail business: other	10	0	100.00	0	5.59	1	100.00	10	69.91	7
Total	15	0	100.00	0	7.35	1	100.00	15	91.90	14
PD Class 5: Total (excluding default)										
Retail business: qualified, revolving	263	239	59.37	402	45.18	119	0.21	1	3.69	10
Retail business: residential real-estate loans	990	3	99.14	3	32.39	321	0.46	5	15.71	155
Retail business: other	1 146	114	78.44	146	53.14	609	0.62	7	24.96	286
Total	2 399	356	64.63	551	43.70	1 049	0.51	12	18.81	451

4 Leverage Ratio

The leverage ratio was introduced as a non-risk-based ratio within the context of the CRR entering into force on 1 January 2014. Since 1 January 2015, information on the leverage ratio must be disclosed in accordance with Art. 451 of the CRR.

The rules of the Delegated Regulation (EU) 2015/62 are taken into account in the Tables 6–8. The disclosure is based on the disclosure tables of the applicable technical standards and is done on a consolidated level.

As at 30 June 2017, the leverage ratio of the NORD/LB Group amounted to 3.49 percent in accordance with the transitional provisions of the delegated regulation. The Tier 1 Capital of € 6,496 million is taken into account in relation to the total exposure measure amounting to € 186,007 million.

Table 6: Summary comparison between balance-sheet assets and the leverage ratio total exposure measure

		Estimated value 31 Dec. 2016 (in € million)	Estimated value 30 June 2017 (in € million)
1	Total assets as per published financial statements	174 797	169 175
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	3 811	2 993
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with article 429 (13) of Regulation (EU) No. 575/2013)	–	–
4	Adjustments for derivative financial instruments	1 111	2 337
5	Adjustment for securities financing transactions (SFTs)	1 868	2 852
6	Adjustment for off-balance sheet items (i. e. conversion to credit equivalent amounts of off-balance sheet exposures)	9 644	9 115
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (7) of Regulation (EU) No. 575/2013)	–	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (14) of Regulation (EU) No. 575/2013)	–	–
7	Other adjustments	2 439	– 466
8	Leverage ratio total exposure measure	193 670	186 007

Table 7: Standard disclosure table for the leverage ratio

		Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)	Risk positions for the CRR leverage ratio 30 June 2017 (in € million)
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	170 244	162 023
2	(Asset amounts deducted in determining Tier 1 capital)	- 459	- 454
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	169 785	161 568
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i. e. net of eligible cash variation margin)	5 093	4 493
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 783	2 860
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	405	360
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 1 943	- 1 146
8	(Exempted CCP leg of client-cleared trade exposures)	- 6	- 7
9	Adjusted effective notional amount of written credit derivatives	2 855	2 981
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	- 174	- 178
11	Total derivatives exposures (sum of lines 4 to 10)	9 012	9 363
Exposures from securities financing transactions			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 334	2 091
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	635	676
14	Counterparty credit risk exposure for SFT assets	2 260	3 193
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with article 429b paragraph 4 and article 222 of Regulation (EU) No. 575/2013	0	0
15	Risk positions from agent transactions	0	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	5 230	5 961
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	25 953	24 865
18	(Adjustments for conversion to credit equivalent amounts)	- 16 309	- 15 750
19	Other off-balance sheet exposures (sum of lines 17 and 18)	9 644	9 115

		Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)	Risk positions for the CRR leverage ratio 30 June 2017 (in € million)
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-	-
Capital and total exposure measure			
20	Tier 1 capital	7 122	6 496
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	193 670	186 007
Leverage ratio			
22	Leverage Ratio	3.68 %	3.49 %
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transition rule	Transition rule
EU-24	Amount of derecognised fiduciary items in accordance with article 429 (11) of Regulation (EU) No. 575/2013	-	-

Table 8: Breakdown of reported risk positions (not including derivatives and securities financing transactions (SFT))

		Risk positions for the CRR leverage ratio 31 Dec. 2016 (in € million)	Risk positions for the CRR leverage ratio 30 June 2017 (in € million)
EU-1	Total of on-balance-sheet risk positions (not including derivatives, SFT and excluded risk positions), of which:	168 297	160 872
EU-2	Risk positions in the trading book	5 514	4 780
EU-3	Risk positions in the banking book, of which:	162 782	156 092
EU-4	Mortgage bonds	2 379	2 412
EU-5	Risk positions treated as risk positions with governments	49 920	50 180
EU-6	Risk positions with regional authorities, multilateral development banks, international organisations and public authorities that are not treated as risk positions with governments	2 848	2 581
EU-7	Banks	17 359	17 003
EU-8	Secured by mortgages on real estate	15 515	13 980
EU-9	Risk positions from Retail business	2 445	2 418
EU-10	Companies	43 919	40 986
EU-11	Positions in default	7 453	6 064
EU-12	Other risk positions (e. g. investments, securitisations and other assets that are not loan commitments)	20 945	20 468

Operational control of the leverage ratio takes place in the quarterly meetings of the Group's Asset Liability Committee (ALCO). The development of total assets is monitored operationally based on target values that are defined quarterly. If necessary, as part of the control of defined individual portfolios, taking into account the maturity structure and fungibility of the assets, measures can be initiated by the ALCO to reduce the total assets and therefore raise the leverage ratio. Key decisions in relation to controlling the leverage ratio are made by the ALCO with subsequent notification provided to the Managing Board.

NORD/LB counters the risk of excessive indebtedness by including the leverage ratio in the annual planning process based on the current balance sheet total and capital planning. In this process the finance and risk control units in the significant subsidiaries from a risk point of view are also included.

A gradual increase in the leverage ratio in relation to the regulatory minimum quota is planned for the next few years.

Starting from a value of 3.68 percent as at 31 December 2016, the leverage ratio decreased to 3.49 percent on 30 June 2017. Both the Tier 1 Capital and the total exposure measure have declined.

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The tables are based on the Examples of Use of the Disclosure Requirements Committee of the Deutsche Bundesbank (Anwendungsbeispiele des Fachgremiums Offenlegungsanforderungen der Deutschen Bundesbank) of November 2006.

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