

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

as at 31 December 2014

1	Preamble	3
2	Capital Structure and Adequacy	5
2.1	<b>Capital Structure</b>	<b>6</b>
2.2	<b>Method used for Balance-Sheet Reconciliation</b>	<b>6</b>
2.3	<b>Key Features of the Capital Instruments</b>	<b>16</b>
2.4	<b>Capital Adequacy</b>	<b>18</b>
2.4.1	Capital Requirements by Risk Type	18
2.4.2	Instruments Protecting the Bank	20
3	Disclosures Concerning the Risk Types	21
3.1	<b>Credit Risk</b>	<b>22</b>
3.1.1	Credit Risks	22
3.1.2	Structure of the Credit Portfolio	22
3.1.3	Risk Provisioning	26
3.1.4	Credit Risk Mitigation Techniques	28
3.1.4.1	<i>Collateral Management</i>	28
3.1.4.2	<i>Equity-relieving Collateral</i>	29
3.1.4.3	<i>Netting Agreements</i>	31
4	List of Tables	32
5	List of Abbreviations	33

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

# 1 Preamble

Requirements relating to the regular disclosure of qualitative and quantitative information to enhance market discipline are defined in Pillar 3 of Basel II. The aim is to create transparency with regard to the risks entered into by institutions. Pillar 3 thus supplements the minimum capital requirements of Pillar 1 and the supervisory review process of Pillar 2. The basis for disclosure has been provided since the 1 January 2014 by EU Regulation No. 575/2013, the Capital Requirements Regulation (CRR).

Accordingly, Norddeutsche Landesbank Luxembourg S.A., Luxembourg (hereafter “NORD/LB Luxembourg”), as a significant subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (hereafter “NORD/LB”) has a duty of disclosure in accordance with Art. 13 (1) CRR.

NORD/LB Luxembourg is the parent company of a group (hereafter the “NORD/LB Luxembourg Group” or “the bank” for short) which includes NORD/LB Covered Finance Bank S.A. (hereafter “NORD/LB CFB”), galimondo S.à.r.l., Luxembourg and Skandifinanz AG, Zurich. NORD/LB Luxembourg holds 100 per cent of the shares in each of these entities.

In this report as at 31 December 2014, the bank discloses the qualitative and quantitative information required in accordance with Art. 13 (1) CRR on a consolidated basis for the NORD/LB Luxembourg Group. This report does not include disclosures concerning the remuneration policy in accordance with Art. 450 CRR; these disclosures are made in a separate Remuneration Report.

The Disclosure Report is an additional document supplementing the Annual Report of the NORD/LB Luxembourg Group and the individual annual reports of the two individual entities. These are prepared on the basis of International Financial Reporting Standards (IFRS).

Information about equity, capital requirements and credit risks are disclosed in accordance with Art. 13 (1) CRR.

Quantitative disclosures contained in this report are based on IFRS which, at the time of reporting, constituted the basis for preparing regulatory reports in accordance with the CRR in the NORD/LB Luxembourg Group.

For further information about risk and in particular about the organisation of risk management including the risk control models used we refer to the Risk Report in the Annual Report of the NORD/LB Luxembourg Group where a detailed account is given on risk developments for each significant type of risk in the period under review and an outlook for developments anticipated in future.

The Disclosure Report is published in accordance with Art. 434 CRR both on the website of NORD/LB at <https://www.nordlb.com/nordlb/investor-relations/reports/> and the website of NORD/LB Luxembourg at <http://www.nordlb.lu/en-us/Pages/other/downloads/geschaeftsberichte.html>.

## 2 Capital Structure and Adequacy

6	2.1	Capital Structure
6	2.2	Method used for Balance-Sheet Reconciliation
16	2.3	Key Features of the Capital Instruments
18	2.4	Capital Adequacy

## 2.1 Capital Structure

The capital components of the NORD/LB Luxembourg Group in accordance with the CRR regulations and the national regulatory authority are the Tier 1 and Tier 2 capital allocated to the consolidated entities (NORD/LB Luxembourg and NORD/LB CFB) and certain deductions.

The Common Equity Tier 1 before regulatory adjustments of the NORD/LB Luxembourg Group as at 31 December 2014 totals € 675 million and comprises the paid-in capital and retained earnings.

The paid-in capital totalling € 205 million comprises the share capital of NORD/LB Luxembourg as the superordinate entity.

As at 31 December 2014 retained earnings total € 470 million. In the year under review retained earnings were reduced by € 30 million by distributions to NORD/LB and by € 3 million by the separation of private banking activities into NORD/LB Vermögensmanagement Luxembourg S. A.

The deductions in Common Equity Tier 1 items total € 17 million as at 31 December 2014. A large share of this is accounted for by deductions of € 11 million from intangible assets. A further € 6 million is accounted for by valuation adjustments due to the requirement of a prudent valuation.

The NORD/LB Luxembourg Group does not have any Additional Tier 1 (AT1) instruments. Accordingly, the bank's Tier 1 capital only comprises Common Equity Tier 1. As at 31 December 2014 this totals € 658 million after the aforementioned regulatory adjustments.

The NORD/LB Luxembourg Group's Tier 2 capital (T2) before regulatory adjustments totalled € 65 million as at 31 December 2014 and comprised the following components:

- Two subordinated liabilities (nominal volume of \$ 125 million), \$ 60 million of which is due in June 2016 and \$ 65 million in December 2017. Due to the residual-term-related deductions, as at 31 December 2014 eligible Tier 2 capital totalled € 46 million. The amount of interest for all subordinated liabilities is calculated based on the capital market yield on the date of issue plus a standard market risk premium. The requirements for inclusion in Tier 2 capital in accordance with Art. 62 et seq. CRR have been met.
- Positive amounts (totalling € 19 million) in accordance with Art. 62 (d) CRR.

Table 2 shows the components of capital in the regulatory capital structure in accordance with Art. 25 - 91 CRR.

As at 31 December 2014 the Common Equity Tier 1 capital ratio of the NORD/LB Luxembourg Group was at 14.11 per cent well above the regulatory requirement of 7 per cent. The regulatory capital ratio is also comfortable at 15.51 per cent.

## 2.2 Method used for Balance-Sheet Reconciliation

Below a reconciliation of the equity items – including adjustment items and deductions – with the audited balance sheet is performed in accordance with Art. 437 1 (a) CRR.

There is no difference in the basis of consolidation in the NORD/LB Luxembourg Group under commercial and regulatory law.

**Table 1: Reconciliation statement: Balance sheet**

Assets	IFRS (in € million)	Reference
Cash reserve	2	
Loans and advances to institutions	1 399	
Loans and advances to customers	6 199	
Risk provisioning	- 37	
Financial assets at fair value through profit or loss	1 336	
Profit/loss from hedge accounting	360	
Financial assets	7 313	
Property and equipment	69	
Intangible assets	11	3
Financial assets available for sale	12	
Current tax assets	-	
Deferred tax assets	15	
Other assets	3	
<b>Total assets</b>	<b>16 684</b>	
Liabilities	IFRS (in € million)	Reference
Liabilities to institutions	8 908	
Liabilities to customers	3 139	
Securitised liabilities	2 651	
Financial liabilities at fair value through profit or loss	178	
Profit/loss from hedge accounting	916	
Provisions	10	
Current income tax liabilities	0	
Deferred income tax liabilities	28	
Other liabilities	19	
Subordinated capital	103	2
Equity	730	
Subscribed capital	205	1a
Capital reserves	-	1b
Retained earnings	508	1c
Revaluation reserve	17	
Currency translation reserve	-	
Total equity	730	
Equity attributable to the shareholders	730	
Non-controlling interests	-	
<b>Total liabilities</b>	<b>16 684</b>	

**Table 2: Reconciliation statement for regulatory capital**

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
<b>Common Equity Tier 1: Instruments and reserves</b>					
1	Capital instruments and the associated premium	205	Art. 26 (1), 27, 28, 29 CRR in conjunction with EBA breakdown in accordance with Art. 26 (3) CRR	–	
1	of which: subscribed capital	205	EBA breakdown in accordance with Art. 26 (3) CRR	–	1a
1	of which: capital reserves	–	EBA breakdown in accordance with Art. 26 (3) CRR	–	1b
2	Retained earnings	470	Art. 26 (1) (c) CRR	–	1c
3	Accumulated other comprehensive income (and other reserves, to take account of non-realised profits and losses in accordance with the applicable accounting standards)	–	Art. 26 (1) CRR	–	
3a	Fund for general banking risks	–	Art. 26(1)(f)	–	
4	Amount of the items as defined by Art. 484 para. 3 CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire.	–	Art. 486 (2) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (2) CRR	–	
5	Minority interest	–	Art. 84, 479, 480 CRR	–	
5a	Interim profit independently audited, less all foreseeable levies or dividends	–	Art. 26 (2) CRR	–	
6	Common Equity Tier 1 before regulatory adjustments	675		–	
<b>Common Equity Tier 1: regulatory adjustments</b>					
7	Additional valuation adjustments (negative amount)	–6	Art. 34, 105 CRR	–	
8	Intangible assets (less corresponding tax liabilities) (negative amount)	–11	Art. 36 (1) (b), 37, 472 (4) CRR	–	3
10	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)	–	Art. 36 (1) (c), 38, 472 (5) CRR	–	
11	Reserves from profits or losses from transactions for hedging payment flows accounted for at fair value	–	Art. 33 (a) CRR	–	
12	Negative amounts from the calculation of anticipated losses	0	Art. 36 (1) (d), 40, 159, 472 (6) CRR	–	
13	Increase in capital resulting from securitised assets (negative amount)	–	Art. 32 (1) CRR	–	
14 (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	–	Art. 33 (b) CRR	–	

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
14 (2)	Profits and losses from derivative liabilities at fair value resulting from the bank's own credit risk	–	Art. 33 (c) CRR	–	
15	Assets from pension funds with defined benefit (negative amount)	–	Art. 36 (1) (e), 41, 472 (7) CRR	–	
16	Direct and indirect positions of a bank in its own instruments of Common Equity Tier 1 (negative amount)	–	Art. 36 (1) (f), 42, 472 (8) CRR	–	
17	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)	–	Art. 36 (1) (g), 44, 472 (9) CRR	–	
18	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 significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) CRR	–	
19	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 significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 bis 3), 79, 470, 472 (11) CRR	–	
20a	Exposure from the following items allocated a risk weighting of 1.250 per cent if the bank alternatively deducts this exposure from the amount of the items of the Common Equity Tier 1	–	Art. 36 (1) (k) CRR	–	
20b	of which: qualified investments outside the financial sector (negative amount)	–	Art. 36 (1) (k) (i), 89, 90, 91 CRR	–	
20c	of which: securitisation exposures (negative amount)	–	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 CRR	–	
20d	of which: Advance payments (negative amount)	–	Art. 36 (1) (k) (iii), 379 (3) CRR	–	
21	Deferred tax assets dependent on future profitability resulting from temporary differences (above the threshold of 10 per cent, less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied) (negative amount)	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	
22	Amount above the 15 per cent threshold (negative amount)	–	Art. 48 (1) CRR	–	
23	of which: 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	–	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) CRR	–	

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
25	of which: deferred tax assets dependent on future profitability resulting from temporary differences	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	–
25a	Losses from the current financial year (negative amount)	–	Art. 36 (1) (a), 472 (3) CRR	–	–
25b	Foreseeable tax burden on items of Common Equity Tier 1 (negative amount)	–	Art. 36 (1) (l) CRR	–	–
26	Regulatory adjustments of Common Equity Tier 1 relating to amounts subject to the pre-CRR treatment	–		–	–
26a	Regulatory adjustments in connection with non-realised profits and losses in accordance with Art. 467 and 468 CRR	–	Art. 467, 468 CRR	–	–
	of which: non-realised profits	–		–	–
	of which: non-realised losses from government bonds	–		–	–
26b	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	–	Art. 481 CRR	–	–
	of which: Other deductions from	–	Art. 481 CRR	–	–
27	Amount of the items deductible from the items of Additional Tier 1 capital that exceed the bank's Additional Tier 1 capital (negative amount)	–	Art. 36 (1) (j) CRR	–	–
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	– 17		–	–
29	Common Equity Tier 1	658		–	–
<b>Additional Tier 1 capital (AT1): Instruments</b>					
30	Capital instruments and the associated premium	–	Art. 51, 52 CRR	–	–
31	of which: classed as capital in accordance with applicable accounting standards	–		–	–
32	of which: classed as liabilities in accordance with applicable accounting standards	–		–	–
33	Amount of the items as defined by Art. 484 para. 4 CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire	–	Art. 486 (3) CRR	–	–
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (3) CRR	–	–
34	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	–	Art. 85, 86, 480 CRR	–	–
35	of which: instruments issued by subsidiaries whose mandatory inclusion will expire	–	Art. 486 (3) CRR	–	–
36	Additional Tier 1 capital (AT1) before regulatory adjustments	–		–	–

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
<b>Additional Tier 1 capital (AT1): regulatory adjustments</b>					
37	Direct and indirect positions of a bank in its own instruments of Additional Tier 1 capital (negative amount)	–	Art. 52 (1) (b), 56 (a), 57, 475 (2) CRR	–	
38	Direct, indirect and synthetic positions of the bank in instruments of Additional 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)	–	Art. 56 (b), 58, 475 (3) CRR	–	
39	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 per cent and less eligible sales positions) (negative amount)	–	Art. 56 (c), 59, 60, 79, 475 (4) CRR	–	
40	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 per cent and less eligible sales positions) (negative amount)	–	Art. 56 (d), 59, 79, 475 (4) CRR	–	
41	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)	–		–	
41a	Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Common Equity Tier 1 during the transitional phase in accordance with Art. 472 of Regulation (EU) No. 575/2013	–	Art. 472, 472 Abs. 3a, 4, 6, 8 (a), 9, 10a and 11a CRR	–	
	of which: Intangible assets	–		–	
	of which: shortfall between value adjustments and expected loss	–		–	
41b	Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Tier 2 capital during the transitional phase in accordance with Art. 475 of Regulation (EU) No. 575/2013	–	Art. 477, 477 Abs. 3 and 4a CRR	–	
	of which:	–		–	
41c	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	–	Art. 467, 468, 481 CRR	–	
	of which: Amount of the items deductible from the items of Additional Tier 1 capital that exceed the bank's Additional Tier 1 capital and accounted for in the Common Equity Tier 1	–		–	

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
42	Amount of the items deductible from the items of Tier 2 capital that exceed the bank's Tier 2 capital (negative amount)	–	Art. 56 (e) CRR	–	
43	Total regulatory adjustments to the Additional Tier 1 capital (AT1)	–		–	
44	Additional Tier 1 capital (AT1):	–		–	
45	Tier 1 capital (T1 = CET1 + AT1)	658		–	
<b>Tier 2 capital (T2): Instruments and reserves</b>					
46	Capital instruments and the associated premium	46	Art. 62, 63 CRR	–	2
47	Amount of the items as defined by Art. 484 para. 5 plus the associated premium whose mandatory inclusion in T2 will expire	–	Art. 486 (4) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (4) CRR	–	
48	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	–	Art. 87, 88, 480 CRR	–	
49	of which: instruments issued by subsidiaries whose mandatory inclusion will expire	–	Art. 486 (4) CRR	–	
50	Credit-risk adjustments	19	Art. 62 (c) and (d) CRR	–	
51	Tier 2 capital (T2) before regulatory adjustments	65		–	
<b>Tier 2 capital (T2): regulatory adjustments</b>					
52	Direct and indirect positions of a bank in its own instruments of Tier 2 capital and subordinated loans (negative amount)	–	Art. 63 (b) (i), 66 (a), 67, 477 (2) CRR	–	
53	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)	–	Art. 66 (b), 68, 477 (3) CRR	–	
54	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 per cent and less eligible sales positions) (negative amount)	–	Art. 66 (c), 69, 70, 79, 477 (4) CRR	–	
54a	of which: new positions not subject to transitional provisions	–		–	
54b	of which: positions existent prior to 1 January 2013 and subject to transitional provisions	–		–	

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
55	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 per cent and less eligible sales positions) (negative amount)	–	Art. 66 (d), 69, 79, 477 (4) CRR	–	
56	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)	–		–	
56a	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Common Equity Tier 1 during the transitional phase in accordance with Art. 472 of Regulation (EU) No. 575/2013	–	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) CRR	–	
	of which: shortfall between value adjustments and expected loss	–		–	
56b	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Additional Tier 1 capital during the transitional phase in accordance with Art. 475 of Regulation (EU) No. 575/2013	–	Art. 475, 475 (2) (a), (3), (4) (a) CRR	–	
	of which:	–		–	
56c	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	–	Art. 467, 468, 481 CRR	–	
	of which: adjustments due to grandfathering provisions	–		–	
57	Total regulatory adjustments to Tier 2 capital (T2)	–		–	
58	Tier 2 capital (T2)	65		–	
59	Total capital (TC = T1 + T2)	723		–	
<b>Risk-weighted assets</b>					
59a	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)	–		–	
	of which: items not deductible from the Common Equity Tier 1 (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) CRR	–	
	of which: items not deductible from the Additional Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 475, 475 (2) (b), (2) (c) and (4) (b) CRR	–	
	of which: items not deductible from the Tier 2 capital (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 477, 477 (2) (b), (2) (c), (4) (b) CRR	–	

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
60	Total risk-weighted assets	4662		–	
	of which: credit risk	4333		–	
	of which: credit-risk-related valuation adjustment (CVA)	41		–	
	of which: market-price risk	64		–	
	of which: operational risk	224		–	
<b>Equity ratios and buffers</b>					
61	Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure)	14.11	Art. 92 (2) (a), 465 CRR	–	
62	Tier 1 capital ratio (expressed as a percentage of the total exposure)	14.11	Art. 92 (2) (b), 465 CRR	–	
63	Regulatory capital ratio (expressed as a percentage of the total exposure)	15.51	Art. 92 (2) (c) CRR	–	
64	bank-specific requirements relating to the capital buffer (minimum requirement regarding Common Equity Tier 1 capital ratio in accordance with Art. 92 para. 1 letter 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)	7	Art. 128, 129, 130 of the CRD IV	–	
65	of which: capital-maintenance buffer	2.5		–	
66	of which: counter-cyclical capital buffer	–		–	
67	of which: systemic-risk buffer	–		–	
67a	of which: buffer for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIs)	–	Art. 131 of the CRD IV	–	
68	Available Common Equity Tier 1 for the buffers (expressed as percentage of the total exposure)	7.11	Art. 128 of the CRD IV	–	
<b>Amounts under the deduction thresholds (before risk-weighting)</b>					
72	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 per cent and less eligible sales positions)	–	Art. 36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) CRR	–	
73	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 per cent and less eligible sales positions)	–	Art. 36 (1) (i), 45, 48, 470, 472 (11) CRR	–	
75	Deferred tax assets dependent on future profitability resulting from temporary differences (below the threshold of 10 per cent, less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied)	–	Art. 36 (1) (c), 38, 48, 470, 472 (5) CRR	–	

Reference	Basis as at 31 December 2014	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (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
<b>Applicable caps for the inclusion of valuation allowances in the Tier 2 capital</b>					
76	Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the standard approach (before application of the cap)	–	Art. 62 CRR	–	
77	Cap for inclusion of credit-risk adjustments in the Tier 2 capital within the standard approach	15	Art. 62 CRR	–	
78	Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the approach based on internal assessments (before application of the cap)	19	Art. 62 CRR	–	
79	Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	19	Art. 62 CRR	–	
<b>Equity instruments subject to the transitional provisions (only applicable from 1 January 2013 to 1 January 2022)</b>					
80	Current cap for CET 1 instruments subject to the transitional provisions	–	Art. 484 (3), 486 (2), (5) CRR	–	
81	Amount excluded from CET 1 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (3), 486 (2), (5) CRR	–	
82	Current cap for AT 1 instruments subject to the transitional provisions	–	Art. 484 (4), 486 (3), (5) CRR	–	
83	Amount excluded from AT 1 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (4), 486 (3), (5) CRR	–	
84	Current cap for T2 instruments subject to the transitional provisions	–	Art. 484 (5), 486 (4), (5) CRR	–	
85	Amount excluded from T2 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (5), 486 (4), (5) CRR	–	

### Remarks on the reconciliation statement

- |       |  |   |  |
|-------|--|---|--|
| 1a–1b | There is no difference in treatment between commercial and regulatory law for the positions subscribed capital and capital reserves.                                 | 2 | The subordinated liabilities of € 103 million are only set at € 46 million under regulatory law as a subordinated liability is treated in accordance with Art. 64 CRR. |
| 1c    | The difference of € 38 million as compared to the balance sheet is explained in that no depreciation may be accounted for prior to attestation under regulatory law. | 3 | There is no difference in treatment between commercial and regulatory law for the position intangible assets.  |

## 2.3 Key Features of the Capital Instruments

The table below shows the features of the capital instruments of the NORDB/LB Luxembourg Group. The bank only has CET1 and T2 instruments.

**Table 3: Key features of the capital instruments, figures in € million**

Key features of the capital instruments	1	2	3
Issuer	NORD/LB Luxembourg	NORD/LB Luxembourg	NORD/LB Luxembourg
Standard identifier	no data	80048	80091
Law governing the instrument	Luxembourgish law	Luxembourgish law	Luxembourgish law
<b>Regulatory treatment</b>			
CRR transitional provisions	CET1	T2	T2
CRR provisions after the transitional period	CET1	T2	T2
Instrument type	Share capital	Subordinated loan	Subordinated loan
Amount eligible for regulatory capital	205	22	24
Nominal value of the instrument	205	49	53
		(USD 60 million)	(USD 65 million)
Minimum tradable quantity	-	-	-
Issue price	100.00 %	100.00 %	100.00 %
Redemption price	-	100.00 %	100.00 %
Accounting classification	Subscribed capital	Liability – amortised cost	Liability – amortised cost
Original issue date	Various	8 Jun. 2001	27 Dec. 2002
Indefinite or with expiry date	Indefinite	Expiry date	Expiry date
Original due date	-	8 Jun. 2016	31 Dec. 2017
May be terminated by issuer with prior consent of the supervisory body	No	Yes	Yes
Termination date may be selected, conditional termination dates and redemption amount	-	With the consent of the CSSF: three-month notice period to the end of the interest period	With the consent of the CSSF: three-month notice period to the end of the interest period
Later termination dates, if applicable	-	-	-
<b>Coupons/dividends</b>			
Fixed or variable dividends/coupon payments	Variable	Variable	Variable
Nominal coupon and reference index as relevant	-	3-month USD LIBOR + 0.17 %	3-month USD LIBOR + 0.44 %
Dividend stop in place	Yes	No	No
Fully discretionary, partially discretionary or mandatory (regarding time)	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (regarding the amount)	Fully discretionary	Mandatory	Mandatory
Interest increase clause or another redemption incentive in place	No	No	No
Non-cumulative or cumulative	-	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible: trigger for conversion	-	-	-
If convertible: fully or partially	-	-	-
If convertible: conversion rate	-	-	-
If convertible: conversion obligatory or optional	-	-	-

<b>Key features of the capital instruments</b>	<b>1</b>	<b>2</b>	<b>3</b>
If convertible: type of instrument to be converted to	-	-	-
If convertible: issuer of instrument to be converted to	-	-	-
Write-down features	No	No	No
In case of write-down: trigger for write-down	-	-	-
In case of write-down: fully or in part	-	-	-
In case of write-down: permanent or temporary (in case of temporary write-down: mechanism for re-allocation)	-	-	-
In case of temporary write-down: mechanism for re-allocation	-	-	-
Priority position in case of liquidation (always specify the next instrument up)	Subordinate to subordinated loans	Subordinate to insolvency creditors	Subordinate to insolvency creditors
Incorrect features of the converted instruments	No	No	No
Specify any incorrect features	no data	no data	no data

## 2.4 Capital Adequacy

### 2.4.1 Capital Requirements by Risk Type

Table 4 lists the regulatory capital requirements in accordance with Art. 438 CRR for the NORD/LB Luxembourg Group, broken down by the significant risk types and approaches used.

Credit risks account for 92.94 per cent of the total risk-weighted assets (RWA). For most of the portfolio the bank uses the Internal Ratings Based Approach (IRBA) in order to calculate capital adequacy requirements. The Standardised Approach for Credit Risk (SACR) is only used for some business segments.

Market-price risks, which are calculated in the NORD/LB Luxembourg Group using the standard approach, only account for 1.37 per cent of the RWA as at the reporting date. Interest-rate risk and currency risk account for these in roughly equal measure. Share-price and commodity risks are not relevant.

Operational risks are also quantified in the bank using the standard approach. As at 31 December 2014 they account for 4.80 per cent of total RWA.

In the period under review capital requirements were calculated for the first time for credit-value-adjustment risk (CVA risk) in accordance with Art. 381 CRR. The bank uses the standard approach for this purpose. It accounts for only 0.88 per cent of total RWA.

Table 4: Capital requirements, in € million

	Capital requirements (in € million)
<b>1 Credit risks</b>	
<b>1.1 Credit risk – standard approach</b>	
Central governments	–
Regional governments and local authorities	13
Other public entities	1
Multilateral development institutions	–
International organisations	–
Institutions	24
Corporates	50
Retail	–
Positions collateralised with real estate	–
Past-due positions	–
Very high-risk connected exposures	–
Mortgage bonds issued by institutions	1
Risk positions with institutions and corporates with a short-term credit rating	–
Collective investment undertakings (CIU)	–
Other positions	7
<b>Total for credit risk – standard approach</b>	<b>96</b>
<b>1.2 IRB approaches</b>	
Central governments	18
Institutions	106
Corporates – SMEs	–
Corporates – special finance	4
Corporates – other	123
Retail – of which collateralised with mortgages, SMEs	–
Retail – of which collateralised with mortgages, not SMEs	–
Retail – of which qualified, revolving	–
Retail – of which other, SMEs	–
Retail – of which other, not SMEs	–
Other non-loan-dependent assets	–
<b>Total for IRB approaches</b>	<b>250</b>
<b>1.3 Securitisations</b>	
Securitisations under the SACR approach	–
of which: re-securitisations	–
Securitisations under the IRB approach	0
of which: re-securitisations	–
<b>Total securitisations</b>	<b>0</b>

	Capital requirements (in € million)
<b>1.4 Investments</b>	
Investments under the IRB approach	0
of which internal model approach	–
of which PD/LGD approach	–
of which simple risk-weighting approach	0
of which exchange-traded investments	–
of which investments which are not exchange-traded but belong to a diversified investment portfolio	–
of which other investments	0
Investments under the SACR approach	–
of which investment values in the case of continued use of the old methodology/grandfathering	–
<b>Total investments</b>	<b>0</b>
<b>1.5 Risk-position amount for contributions to the default fund of a central counterparty</b>	<b>–</b>
<b>Total investments</b>	<b>347</b>
<b>2. Clearing risks</b>	
Clearing risks in the banking book	–
Clearing risks in the trading book	–
<b>Total clearing risks</b>	<b>–</b>
<b>3. Market-price risks</b>	
Standard approach	5
of which: interest-rate risks	3
of which: general and specific interest-rate risk (net interest position)	3
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	3
of which: risks from commodity positions	–
Internal model approach	–
<b>Total market-price risks</b>	<b>5</b>
<b>4. Operational risks</b>	
Basic-indicator approach	–
Standard approach	18
Advanced measurement approach	–
<b>Total operational risks</b>	<b>18</b>
<b>5. Total amount of risk positions for credit value adjustment</b>	<b>3</b>
<b>6. Total amount of risk positions relating to large loans in the trading book</b>	<b>–</b>
<b>7. Other</b>	
Other exposures	–
<b>Total amount of capital requirements</b>	<b>373</b>

#### 2.4.2 Instruments Protecting the Bank

Besides the NORD/LB Luxembourg Group's adequate capital resources, there are further instruments that serve to protect that bank.

NORD/LB, as the parent company, has issued a letter of comfort for NORD/LB Luxembourg and NORD/LB CFB.

As a subsidiary of NORD/LB the bank is also covered by the protection system of the Savings Bank Financial Group (Sparkassen-Finanzgruppe).

## 3 Disclosures Concerning the Risk Types

22 3.1 Credit Risk

## 3.1 Credit Risk

### 3.1.1 Credit Risks

In order to calculate the capital adequacy requirement for credit risks the NORDB/LB Luxembourg Group essentially uses the Internal Ratings Based Approach (IRBA).

For some business segments, i.e. for savings bank guaranteed lending business, current account overdrafts and Lombard loans, the standardised approach for credit risk (SACR) is used. Permanent partial use was authorised by the Luxembourg Financial Supervisory Authority CSSF (Commission de Surveillance du Secteur Financier).

The bank uses the IRB approaches to calculate the capital adequacy requirement and to measure securitisation exposures, depending on the role played by the bank in a securitisation exposure. For external unrated sponsor exposures the bank uses the IAA. For investor exposures the bank uses the RBA.

### 3.1.2 Structure of the Credit Portfolio

Tables 5 to 12 show the total amount of risk positions broken down by risk position class. They are broken down by industry, region and residual contractual maturity.

The bank does not have any risk positions with SMEs.

In order to compare the risk positions under SACR and IRBA the SACR positions are reported gross before the deduction of valuation allowances.

The risk positions were calculated before taking into account credit-risk-mitigation methods and before use of the credit conversion factor (CCF). Derivative risk positions are recorded with their credit equivalents (including add-ons and taking into account netting).

**Table 5: Total amount of risk positions in SACR, in € million**

(in € million)	Total amount of risk positions	Average of total risk positions in the reporting period
Central governments	268	294
Regional governments and local authorities	942	971
Other public entities	144	145
International organisations	472	347
Institutions	82	287
Corporates	1 652	1 348
Mortgage bonds issued by institutions	71	60
Other positions	87	88
<b>Total</b>	<b>3 717</b>	<b>3 541</b>

**Table 6: Total amount of risk positions in IRB, in € million**

(in € million)	Total amount of risk positions	Average of total risk positions in the reporting period
Central governments	2 832	2 191
Institutions	7 982	9 440
Corporates – special finance	313	348
Corporates – other	6 718	5 756
Securitisations	41	38
Investments	0	29
<b>Total</b>	<b>17 887</b>	<b>17 802</b>

**Table 7: Total amount of risk positions by industry in SACR, in € million**

(in € million)	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport, communications	Financial institutions/ insurance corporates	Service industries/ other	Total
Central governments	-	-	-	-	-	-	0	267	268
Regional governments and local authorities	-	-	-	-	-	-	-	942	942
Other public entities	-	-	-	-	-	-	144	0	144
International organisations	-	-	-	-	-	-	-	472	472
Institutions	-	-	-	-	-	-	82	-	82
Corporates	82	3	1	93	1	42	653	777	1 652
Mortgage bonds issued by institutions	-	-	-	-	-	-	71	-	71
Other positions	-	-	-	-	-	-	69	18	87

**Table 8: Total amount of risk positions by industry in IRBA, in € million**

	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport, communications	Financial institutions/ insurance corporates	Service industries/ other	Total
(in € million)									
Central governments	-	-	-	-	-	-	1 075	1 757	2 832
Institutions	-	-	-	-	-	-	7 788	194	7 982
Corporates – special finance	-	9	-	-	-	40	74	190	313
Corporates – other	1 522	1 402	126	360	22	328	933	2 026	6 718
Securitisations	-	-	-	-	-	-	41	-	41
Investments	-	-	-	-	-	-	-	0	0

**Table 9: Total amount of risk positions by region in SACR, in € million**

	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East/ Africa	Asia / Australia	Other	Total
(in € million)									
Central governments	244	0	-	23	-	-	-	-	268
Regional governments and local authorities	110	-	-	832	-	-	-	-	942
Other public entities	123	0	0	0	-	-	21	-	144
International organisations	-	-	-	-	-	-	-	472	473
Institutions	25	52	5	-	-	-	-	-	82
Corporates	749	392	52	421	-	0	38	0	1 652
Mortgage bonds issued by institutions	21	50	-	-	-	-	-	-	71
Other positions	-	87	-	-	-	-	-	-	87

**Table 10: Total amount of risk positions by region in IRBA, in € million**

Total gross credit volume (in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East/Africa	Asia/Australia	Other	Total
Central governments	1 026	1 210	355	123	–	–	–	118	2 832
Institutions	3 513	2 095	1 676	531	–	3	164	–	7 982
Corporates – special finance	58	141	40	74	–	–	–	–	313
Corporates – other	5 104	302	376	753	–	–	183	–	6 718
Securitisations	–	41	–	–	–	–	–	–	41
Investments	–	0	–	–	–	–	–	–	0

**Table 11: Residual contract maturities in SACR, in € million**

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments	0	–	267	268
Regional governments and local authorities	129	121	692	942
Other public entities	0	121	22	144
International organisations	–	59	413	472
Institutions	6	52	25	82
Corporates	482	415	755	1 652
Mortgage bonds issued by institutions	50	–	21	71
Other positions	87	–	–	87

**Table 12: Residual contract maturities in IRBA, in € million**

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments	1 101	872	860	2 832
Institutions	5 081	1 941	960	7 982
Corporates – special finance	26	90	197	313
Corporates – other	1 805	2 776	2 137	6 718
Securitisations	–	41	–	41
Investments	0	–	–	0

### 3.1.3 Risk Provisioning

Exposures are inspected at regular intervals, i.e. in a system of scheduled loan monitoring, in order to ascertain whether the claims of the bank are recoverable or whether interest and principal payments appear to be totally or partly at risk. A review is also carried out when negative information is received (early warning indicators) about a borrower, for example information relating to the borrower's financial situation, collateral value and industry environment as well as when establishing the reason for default (and issuing a default rating). Objective indications which might result in the need for a valuation allowance are for example the default on interest and capital payments or a delay in such payments of more than 90 days and considerable financial difficulties on the part of the debtor.

A receivable on the other hand is past due from the first day of default. For acute counterparty risks if there are objective indications of a permanent loss in value the bank makes specific valuation allowances. A valuation allowance requirement is based on a present value consideration of anticipated interest and redemption payments which are still expected as well as on profits from the realisation of collateral.

To cover impairments which have occurred but have not yet been identified a general loan loss provision is made. The calculation is made on the basis of historical probabilities of default and loss rates. The portfolio-specific LIP factor (loss identification period factor) is also considered. Risks relating to off-balance sheet transactions (guarantees, endorsement liabilities and loan commitments) are accounted for by a loan loss provision.

Irrecoverable loans of up to € 10,000 for which there is no specific valuation allowance are written off immediately. Payments received for written-off loans and advances are recognised through profit or loss.

For information on the accounting policies for risk provisioning in accordance with IFRS the notes to the consolidated financial statements (Note 8) in the Annual Report are referred to. Under the current incurred loss model of IAS 39, the risk provisioning in its entirety is classified under the current regulatory provisions CRR as specific credit-risk adjustments. These include specific valuation allowances, general loan loss provisions and provisions for credit risks of off-balance-sheet risk positions. There are no general credit-risk adjustments under the current accounting requirements for financial instruments of IAS 39.

In accordance to Art. 442 CRR, Tables 13 to 15 CRR show the impaired and past-due risk positions separately. Impaired positions are reported net, i.e. after specific valuation allowances have been taken into account. Past-due risk positions do not correspond with risk positions for which specific valuation allowances have been taken into account with a default of one day or more. They are broken down by industry and region. General loan loss provisions are reported as a total and are not broken down by industry and region.

Table 15 shows the development of specific credit-risk adjustments in the period under review.

**Table 13: Impaired and past-due risk positions by industry, in € million**

	Impaired risk positions	SVA	GLLP	Provisions	Net allocation / reversal of specific valuation allowances / provisions	Direct write-down	Additions to written-down loans and advances	Past-due risk positions (not including valuation allowance requirement)
(in € million)								
Manufacturing	1	18	—	1	-1	-	-	-
Energy, water and mining	-	-	—	-	-3	-	-	-
Construction	0	0	—	0	0	-	-	-
Trade, maintenance and repairs	-	-	—	-	-	-	-	1
Agriculture, forestry and fishing	-	-	—	-	-	-	-	-
Transport, communications	-	-	—	-	-	-	-	-
Financial institutions/ insurance companies	-	-	—	-	-	-	-	-
Service industries/ other	12	16	—	-	-14	-	0	1
<b>Total</b>	<b>12</b>	<b>34</b>	<b>25</b>	<b>1</b>	<b>-18</b>	<b>-</b>	<b>0</b>	<b>1</b>

**Table 14: Impaired and past-due risk positions by region, in € million**

	Impaired risk positions	SVA	GLLP	Provisions	Past-due risk positions (not including valuation allowance requirement)
(in € million)					
Germany	12	34	—	1	1
Other euro countries	-	-	—	-	0
Rest of Europe	-	-	—	-	-
North America	-	-	—	-	-
Central and South America	-	-	—	-	-
Middle East / Africa	-	-	—	-	-
Asia / Australia	-	-	—	-	-
Other	-	-	—	-	-
<b>Total</b>	<b>12</b>	<b>34</b>	<b>25</b>	<b>1</b>	<b>1</b>

**Table 15: Development of specific credit-risk adjustments, in € million**

(in € million)	Opening balance for the period	Adjustments in the period	Reversal	Utilisation	Exchange-rate related and other changes	Closing balance for the period
SVA	37	7	-5	-5	0	34
Provisions	16	2	-9	-8	0	1
GLLP	25	1	-2	0	1	25

As at the reporting date, the risk provisioning of the NORD/LB Luxembourg Group totals € 59 million. This is € 19 less than in the previous year.

### 3.1.4 Credit Risk Mitigation Techniques

#### 3.1.4.1 Collateral Management

For the assessment of credit risks, in addition to the credit rating of borrowers or counterparties reflected in the rating, the customary bank securities available and other risk reduction methods are of importance. When accepting securities the cost-benefit relationship of the security is considered.

The collateral is assessed both at the time the loan is granted and during the subsequent ongoing (normally at least once a year) monitoring as to whether it appears to be disposable at the assumed value based on foreseeable economic developments during the (remaining) term of the loan. They are therefore reviewed on a case-by-case basis as to whether the valuation appears to be justified based on the respective type of security and based on its legal and economic applicability in respect of the person of the borrower and the type of loan. If factors relevant to the assessment have changed the assessment is adjusted accordingly.

The credit guidelines and lending principles of the NORD/LB Group specify which fundamental types of security and the maximum loan which may be lent against the collateral (lending limit). Sureties, credit securities similar to sureties, assignments of receivables and other rights, chattel mortgages, real estate, receivables and other rights and collateral assignment of chattel are accepted as credit security. Other collateral can be contracted with the borrower but this does not reduce the unsecured portion of the exposure.

In the NORD/LB Luxembourg Group only guarantees, sureties and financial collateral are used to mitigate risk.

The collateral defined as relevant for the NORD/LB Luxembourg Group is recorded and presented in the bank's core banking system which is also used for the inclusion of collateral when ascertaining minimum capital requirements and for regulatory reports.

In cooperation lending collateral is managed and held by NORD/LB.

In order to ensure the legal validity and enforceability of collateral standard contracts are mainly used. In addition to this, internal or external legal opinions are obtained where necessary and the preparation of contracts is assigned to authorised law firms.

#### 3.1.4.2 *Equity-relieving Collateral*

Indemnity agreements taken into account in the credit-risk-mitigation techniques are primarily sureties and guarantees. The valuation is performed on the basis of the guarantor's credit rating. The same rating rules apply as for all other borrowers. The main types of guarantors are public entities and institutions with a very good rating. The biggest guarantor is NORD/LB with a collateralised exposure of € 2 billion as at 31 December 2014.

Risk concentrations from accepting guarantees are monitored in connection with the direct exposure of the guarantor. They are reported in the quarterly Credit Portfolio Report.

Financial collateral is primarily cash deposits. In the trading sector repo transactions continue to be effected. Where the bank is the transferor only cash collateral is considered. The bank only concludes transferee transactions secured by bonds with counterparties with first-class credit ratings. Transactions are therefore low risk. Counterparty lines are automatically valued and monitored daily so that no concentration of risk arises. Additionally, market-price fluctuations in the scope of margin calls are settled daily in the form of bonds and cash deposits.

The tables below contain in accordance with Art. 453 CRR an overview of the collateralised SACR and IRBA exposure values for each exposure class. With derivatives netting agreements are considered.

The exposure values reported are collateralised by eligible financial collateral in accordance with Art. 197 (1) CRR after the application of value fluctuation factors and guarantees in accordance with Art. 201 CRR.

**Table 16: Total amount of collateralised SACR exposure values, in € million**

Exposure class	Financial collateral	Life insurance policies	Guarantees and credit derivatives
Central governments	-	-	-
Regional governments	-	-	-
Other public entities	0	-	19
Multilateral development institutions	-	-	-
International organisations	-	-	-
Institutions	-	-	-
Mortgage bonds issued by institutions	-	-	-
Corporates	191	-	781
Retail	-	-	-
Positions collateralised with real estate	-	-	-
Fund shares	-	-	-
Investments	-	-	-
Other positions	-	-	-
Past-due positions	-	-	-
Risk positions with institutions and corporates with a short-term credit rating	-	-	-
Very high-risk connected exposures	-	-	-
<b>Total</b>	<b>191</b>	<b>-</b>	<b>800</b>

**Table 17: Total amount of collateralised IRBA exposure values, in € million**

Exposure class	Financial collateral	Other/ physical collateral	Life insurance policies	Guarantees and credit derivatives
Central governments	-	-	-	-
Institutions	3 055	-	-	185
Other non-loan-dependent assets	-	-	-	-
Retail	-	-	-	-
of which qualified, revolving	-	-	-	-
of which residential real-estate loans	-	-	-	-
of which other	-	-	-	-
Investments	-	-	-	-
of which simple risk-weighting approach	-	-	-	-
of which internal model approach	-	-	-	-
of which PD/LGD approach	-	-	-	-
Corporates	93	-	-	2 265
of which SMEs	-	-	-	-
of which SMEs SF	-	-	-	-
<b>Total</b>	<b>3 148</b>	<b>-</b>	<b>-</b>	<b>2 450</b>

### 3.1.4.3 Netting Agreements

In order to mitigate counterparty risk in trading the bank employs netting agreements covering derivatives.

Netting agreements are always multilateral. Only standard general agreements are used. New agreements are concluded on behalf of the bank by NORD/LB's Legal Department. The legal enforceability of the netting agreements in the different jurisdictions is monitored by regularly obtaining legal opinions.

Contractual netting takes place. The Luxembourg Financial Supervisory Authority CSSF regularly asks for legal opinions on the jurisdictions in which the bank's counterparties are based. These legal opinions are delivered to the CSSF.

Netting agreements on money receivables and cross-product netting agreements are not used.

Only cash collateral is currently accepted for securitising derivative transactions. Standard general agreements are also used here.

## 4 List of Tables

Table 1:	Reconciliation statement: Balance sheet	7
Table 2:	Reconciliation statement for regulatory capital	8
Table 3:	Key features of the capital instruments, figures in € million	16
Table 4:	Capital requirements, in € million	19
Table 5:	Total amount of risk positions in SACR, in € million	22
Table 6:	Total amount of risk positions in IRB, in € million	23
Table 7:	Total amount of risk positions by industry in SACR, in € million	23
Table 8:	Total amount of risk positions by industry in IRBA, in € million	24
Table 9:	Total amount of risk positions by region in SACR, in € million	24
Table 10:	Total amount of risk positions by region in IRBA, in € million	25
Table 11:	Residual contract maturities in SACR, in € million	25
Table 12:	Residual contract maturities in IRBA, in € million	25
Table 13:	Impaired and past-due risk positions by industry, in € million	27
Table 14:	Impaired and past-due risk positions by region, in € million	27
Table 15:	Development of specific credit-risk adjustments, in € million	28
Table 16:	Total amount of collateralised SACR exposure values, in € million	30
Table 17:	Total amount of collateralised IRBA exposure values, in € million	30

## 5 List of Abbreviations

AT1	Additional Tier 1 capital	NORD/LB	Norddeutsche Landesbank Girozentrale, Hanover
CCF	Credit Conversion Factor		
CET1	Common Equity Tier 1	PD	Probability of Default
CRD	Capital Requirements Directive	RBA	Rating Based Approach
CRR	Capital Requirements Regulation	Repo	Repurchase Agreement
CSSF	Commission de Surveillance du Secteur Financier (Luxembourg Financial Supervisory Authority)	RW	Risk Weight
EBA	European Banking Authority	RWA	Risk-weighted assets
EU	European Union	SACR	Standardised Approach for Credit Risk
GLLP	General loan loss provisions	SME	Small and medium-sized enterprises
IAA	Internal Assessment Approach	SVA	Specific valuation allowance
IFRS	International Financial Reporting Standards	T2	Tier 2 capital
IRBA	Internal Ratings Based Approach		
LGD	Loss Given Default		

Norddeutsche Landesbank Luxembourg S. A.  
7, rue Lou Hemmer  
L-1748 Luxembourg-Findel

Phone: +352 45 22 11-1  
Fax: +352 45 22 11-319  
[www.nordlb.lu](http://www.nordlb.lu)