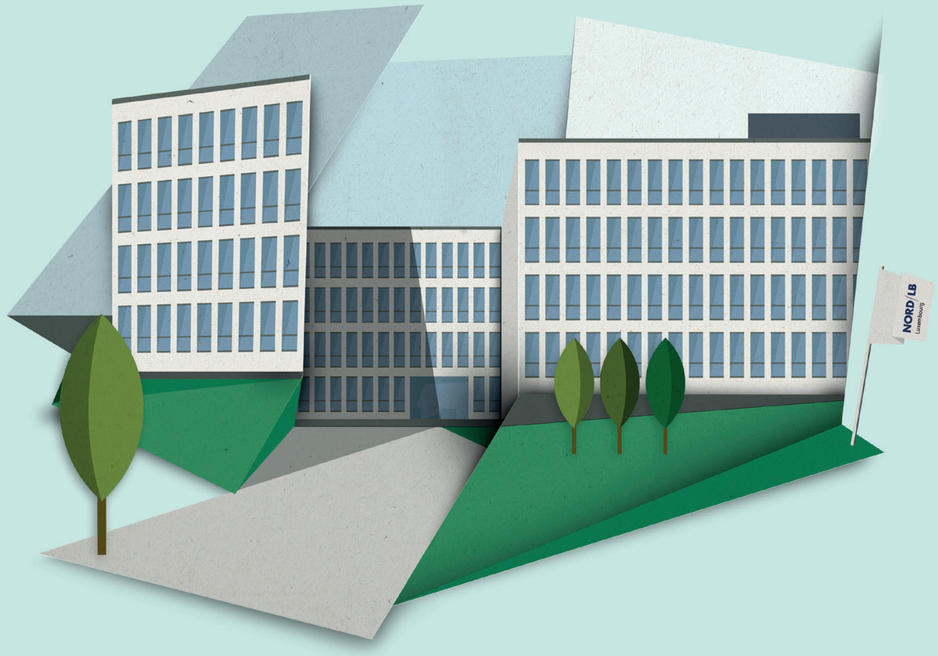
NORD/LB

Covered Bond Bank
Luxembourg



Unity in diversity.

A bank can be so much more.

The knowledge, ability and willingness to create something new.

2015 Annual Report as per IFRS

Finanzgruppe

For technical reasons, the tables below may feature rounding differences.

Performance	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in millions of EUR)	Change (in %)
Loans and advances to banks	1,510.0	1,398.8	111.2	8
Loans and advances to customers	6,768.8	6,199.1	569.7	9
Risk provisions	–39.9	–37.1	–2.8	8
Financial investments	5,846.2	7,313.5	–1,467.2	–20
Other assets	1,746.6	1,809.3	–62.7	–3
Balance sheet total assets	**15,831.8**	**16,683.7**	**–851.9**	**–5**
Liabilities to banks	7,626.4	8,908.2	–1,281.8	–14
Liabilities to customers	3,221.4	3,139.4	81.9	3
Securitised liabilities	3,114.2	2,650.6	463.6	17
Other equities and liabilities	1,169.5	1,255.3	–85.9	–7
Shareholders' equity	700.3	730.0	–29.7	–4
Balance sheet total liabilities	**15,831.8**	**16,683.7**	**–851.9**	**–5**

Earnings performance	2015 (in KEUR)	2014 (in KEUR)	Change (in KEUR)	Change (in %)
Net interest income	93,316	103,841	–10,525	–10
Net commission income	–23,406	–17,539	–5,867	33
Profit/loss from financial investments	9,845	4,153	5,693	> 100
Other earnings	–810	–2,164	1,354	–63
Earnings before costs	**78,946**	**88,292**	**–9,346**	**–11**
Administrative expenses	–44,090	–43,212	–878	2
Earnings from valuation changes and risk provisions	7,690	–1,290	8,981	< –100
Taxes	–10,444	–7,285	–3,159	43
Earnings from continuing operations after taxes	**32,102**	**36,504**	**–4,402**	**–12**
Earnings from discontinued operations after taxes	**0**	**1,111**	**–1,111**	**–100**
Earnings after taxes	**32,102**	**37,615**	**–5,513**	**–15**

Key performance indicators	2015	2014	Change (absolute)	Change (in %)
Cost/income ratio in %*	50.9%	52.2%	–1.3%	2
RoRAC in % **	9.2%	10.7%	–1.5%	–14

*) The Cost/Income Ratio (CIR) is the ratio of administrative expenses to earnings before costs.
**) The RoRAC is the ratio of earnings before taxes to the maximum value from the limit for tied-up capital or the tied-up capital.

Key regulatory indicators	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in millions of EUR)	Change (in %)
Risk-weighted asset values	4,139.6	4,662.2	–522.6	–11
Core capital	629.5	658.1	–28.6	–4
Equity	674.8	723.2	–48.4	–7
Core capital ratio	15.2%	14.1%	1.1%	8
Overall coefficient	16.3%	15.5%	0.8%	5

Workforce	31/12/2015	31/12/2014	Change (absolute)	Change (in %)
Number of employees***	177	175	2	1

***) The number of employees for 2014 is comprised of the sum of the employees from the two predecessor institutions: Norddeutsche Landesbank Luxembourg S.A. and NORD/LB Covered Finance Bank S.A.

Summary of key data

Contents

Sales

200 European, institutional customers in 26 countries.

Long-Term Funding

1.22 billion euros issued.

With terms of between three and 20 years.

Lettres de Gage

LCR Eligibility Euro benchmarks comply with the requirements of EU Regulation 2015/61.

Business Volume

+38% for Lettres de Gage-compliant infrastructure financing.

At a glance

The Oxford English Dictionary defines 'unity' as '… due interconnection and coherence of parts …'. It defines diversity as '… different in some common qualities from the rest of a larger class …'. The concatenation of these two definitions is a fitting description of what we do and who we are. More than a bank. An internationally oriented covered bond bank, belonging to a strong Group, with individual product solutions for our clients. For you.

NORD/LB Luxembourg S.A. Covered Bond Bank: unity in diversity.
As a covered bond bank, our focus lies on issuing covered bonds under Luxembourg law, known as 'Lettres de Gage', with which we make a valuable contribution to refinancing the core business of the NORD/LB Group. We sell NORD/LB Group products throughout Europe, offering a variety of solutions for our clientele.

Unity in diversity

Foreword

Dear Sir/Madam,

Our bank distinguishes itself with many unique qualities – one of which being that almost every financial year is different from the last.
2015 was an unusual year for NORD/LB Luxembourg S.A. Covered Bond Bank.
After the split-off of Private Banking at year-end in 2014, it was an exciting challenge to successfully integrate our two full banks, Norddeutsche Landesbank Luxembourg S.A. and NORD/LB Covered Finance Bank S.A., into a covered bond bank under Luxembourg law. With a new, unified market presence, we here at NORD/LB Luxembourg S.A. Covered Bond Bank are now working together with our partners and customers even more closely. We have invested a great deal into this new business model. Our employees in particular deserve our sincere thanks and gratitude for all of their hard work in this endeavour. They continue to exhibit exceptional dedication and loyalty. They are the foundation of our future success.

Despite our specialisation in covered bonds, we remain faithful to the principle of 'Unity in diversity'. We are the manufacturing element within a successful corporate Group. Developments such as the successful expansion of cross-divisional collaboration in the lending business, the expansion of our sales activities, being assigned to the building of the international platform for the Group and our growing contribution to the Group's value creation chain are clear evidence of that fact.
We have already demonstrated that we made the right decision. In 2015, we successfully placed two Lettres de Gage Publiques benchmarks. These benchmarks had a total volume of EUR 1.0 billion and terms of between three and five years.
We saw the most interest from investors in Germany, Northern Europe and Southern Europe. The main investor groups were banks, asset managers of funds and insurance companies.

The benefit of both these and future issues from Luxembourg lies in the considerably more favourable refinancing costs for the Group's strategic lending business, which allow us to optimise the interest margin. This can supplement uncovered funding and other covered bond activities within the Group.
The Group's decisions to split off Private Banking and scale the technical platform for expansion of NORD/LB Luxembourg S.A. Covered Bond Bank into the international platform for the Group have strengthened our position.
We took the split-off of the Private Banking business on 31 December 2014 as an opportunity to conduct analyses in the 2015 financial year to examine whether the Bank had any business relationships in the past in which tax evasion by the customer could not be ruled out. Because ruling out such activity is proportionally more difficult for the more distant past, the findings from the internal investigation were proactively submitted to the German investigative authorities. Discussions with the investigative authorities have progressed well. At this time, however, it is not possible to definitively predict the outcome of the procedure. The Bank has set aside provisions for expected liabilities from profit skimming and fines for 2015.

We are confident in our outlook for 2016, too, for three reasons:
First: Our Luxembourg covered bonds are needed. Secure investment types with positive yield outlooks play a key role for our investors and the Group in the current market environment. NORD/LB Luxembourg S.A. Covered Bond Bank is regarded as a reliable partner in this environment.
Second: In the very first year of existence for NORD/LB Luxembourg S.A. Covered Bond Bank, we have already demonstrated the effectiveness of our business model and its value generation potential for the Group.
Third: We are confident that we will continue to increase our value, forge ahead with new ideas and achieve more in our operations in future.

In 2016 we will continue to invest in our market presence, optimise our workflows and expand our collaboration with the NORD/LB Group. Despite new regulatory requirements being continually introduced in the banking industry, we expect a significant reduction in administrative expenses for the upcoming financial year, which will be our first full year since our realignment. We will consistently continue to follow the beaten path of focused cost management, relying on qualified teams, new methods and modern IT in the process.
With all this in mind, our summary of the past year is as follows: the strategy of gearing our services to the needs of our customers and investors, the markets and the Group has proven successful. The principle of unity in diversity, i.e. the combination of our knowledge, ability and willingness to create something new, will continue to make us an attractive partner in the future.

Christian Veit

Thorsten Schmidt

Board of Directors

Christian Veit
CEO
Chairman of the Board of Directors
(Sprecher des Vorstands)

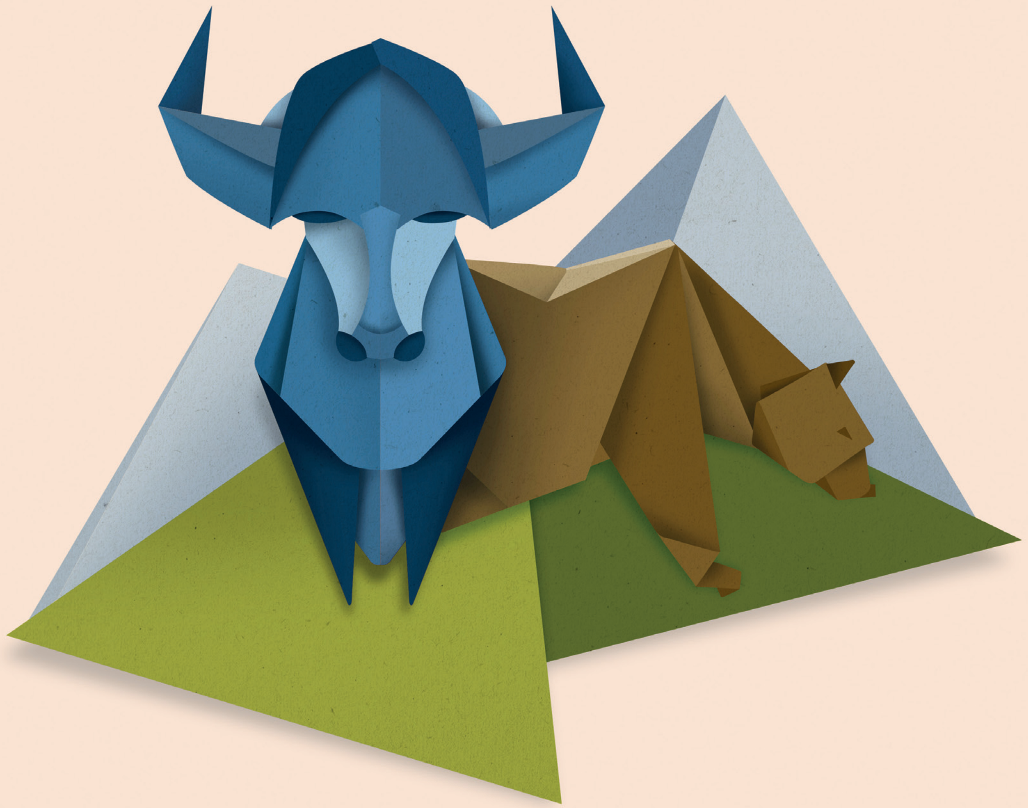
Born in 1970,
Member of the Board of Directors since 2006, CEO of NORD/LB Luxembourg S.A. Covered Bond Bank since 2015. Current term ends 31 December 2019.

After successfully completing his university entrance examinations (*Abitur*), Mr Veit began his professional training as a banker at a cooperative bank. After that, he studied at what is today the Frankfurt School of Finance and Management, while also working in the internal auditing department at a private bank. In 1997, during his studies, Christian Veit entered the public banking sector in the Finance department of Norddeutschen Landesbank Luxembourg S.A. He was appointed to the Board of Directors of Norddeutschen Landesbank Luxembourg S.A. in 2006 and to the Board of Directors of NORD/LB Covered Finance Bank S.A. in 2008. Since 2015, the CEO has been running NORD/LB Luxembourg S.A. Covered Bond Bank together with Mr Schmidt.

Thorsten Schmidt
Deputy CEO
Member of the Board of Directors
(Mitglied des Vorstands)

Born in 1964,
Member of the Board of Directors since 2010, Deputy CEO of NORD/LB Luxembourg S.A. Covered Bond Bank since 2015. Current term ends 31 December 2020.

After receiving his university-entrance diploma (*Abitur*), Mr Schmidt began training at Norddeutschen Landesbank Girozentrale in 1983. After completing his training, he transferred from the Braunschweig branch to the Currencies Trading department in Hanover. Thorsten Schmidt has been with Norddeutschen Landesbank Luxembourg S.A. since 1987. In 1996, he took on management of the Financial Markets department. He was appointed to the Board of Directors of Norddeutschen Landesbank Luxembourg S.A. in 2010 and to the Board of Directors of NORD/LB Covered Finance Bank S.A. in 2012. Since 2015, the Deputy CEO has been running NORD/LB Luxembourg S.A. Covered Bond Bank together with Mr Veit.



Management report

NORD/LB Luxembourg S.A. Covered Bond Bank

NORD/LB Luxembourg S.A. Covered Bond Bank (hereafter 'NORD/LB CBB' or simply 'the Bank' for short), domiciled in Luxembourg, is a wholly owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale with registered offices in Hanover, Braunschweig and Magdeburg (hereafter 'NORD/LB'). The Bank is included in the consolidated financial statements of NORD/LB (hereafter 'the NORD/LB Group' or simply 'the Group' for short). The parent company has issued a letter of comfort for NORD/LB CBB. The consolidated financial statements of NORD/LB are available online at www.nordlb.de.

NORD/LB CBB was created in a merger between Norddeutsche Landesbank Luxembourg S.A. (hereafter 'NORD/LB Luxembourg') and NORD/LB Covered Finance Bank S.A. (hereafter 'NORD/LB CFB'). Until 31 December 2014, NORD/LB Luxembourg was the parent company of a Group that included NORD/LB CFB, Galimondo S.à r.l., Luxembourg, and Skandifinanz AG, Zurich. NORD/LB Luxembourg holds 100% of the shares in all three subsidiaries. In Q1 2015, the shares in Skandifinanz AG, Zurich, were sold to Nord-Ostdeutsche Bankbeteiligungs GmbH, a company in the NORD/LB Group. Due to subordinate materiality, Galimondo S.à r.l. is not included in the annual financial statements of the Bank as of 31 December 2015.

The collective merger plan agreed to by the Boards of Directors of NORD/LB Luxembourg and NORD/LB CFB on 2 April 2015, notarised by a civil-law notary and published in the Mémorial on 16 April 2015, was approved during the extraordinary general meeting of NORD/LB Luxembourg on 21 May 2015 and the merger was endorsed. The merger was carried out by way of universal succession by NORD/LB Luxembourg of the assets and liabilities of NORD/LB CFB with all rights and obligations by winding up without liquidation of NORD/LB CFB ('simplified merger'), effective as of 31 May 2015 ('Time of entry into force of the merger'), with retroactive force for accounting purposes back to 1 January 2015. This means NORD/LB CFB no longer exists as an independent legal entity.

The corporate purpose of NORD/LB CBB is to conduct all transactions which are legally authorised for covered bond banks under the law of the Grand Duchy of Luxembourg. In addition to this, it also deals in the areas of Financial Markets & Sales, Loans and Client Services/B2B.

NORD/LB CBB holds 100% of the shares in Galimondo S.à r.l., Luxembourg. The purpose of this company is to provide and coordinate services that are needed to produce and maintain the functionality of buildings and objects, including their infrastructures (facility management).

This report pertains to the annual accounts of NORD/LB CBB in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

International economic developments

Economic developments

Contrary to expectations, the global economy did not pick up steam over 2015. As in the previous two years, real global economic growth remained tepid, at just over 3%. In the US however, the economic upswing picked up speed: despite a weak fourth quarter, growth in the gross domestic product (GDP) for the entire year came to 2.4% more than the previous year. Japan continues to experience difficulties, with the GDP for 2015 growing by less than 1% compared to the previous year. In contrast, the upswing in the eurozone is forging ahead and even seems to be accelerating. As in 2014, output from developed national economies saw such a large increase that it largely offset the downturn in some key emerging countries. In the context of reorganising its growth model, China experienced its lowest GDP growth in 25 years, at just 6.9%. However, the recent market turbulence attests to concerns over further economic growth in China. We now see few traces of the former power of the BRIC countries, due in part to Russia's second straight year of contraction and Brazil's slide into recession. The figure for real world trade volume was correspondingly weak, growing by less than 3%.

As expected, the economic recovery in the eurozone picked up steam over 2015. The first three quarters achieved average growth rates of 0.4% over the previous quarter. In the context of what is still modest global growth, this remarkably solid trend can no longer be attributed solely to Germany. Spain's economy has enjoyed very strong growth for some time and achieved a real economic growth of over 3% for the entire year. In addition, the situations in France and Italy also improved successively, even though the recovery is still hampered by structural issues there. Over the last three months of 2015, economic performance in the eurozone again grew by a moderate amount over the previous quarter (0.3%). Thus, over 2015 as a whole, real GDP grew by 1.5% compared to the previous year. While stimulus from abroad remained sluggish, domestic demand propped up growth. The high rate of growth in real private consumption also received support from the extremely low inflation rate and a significant reduction in unemployment. The unemployment rate fell to 10.5% in November 2015, down from 11.4% at 2014 year-end. After four years of consolidation efforts, the deficit ratio fell to 2.0% of GDP in 2015. In mid-2015, Europe managed to avert the risk of an uncontrolled Greek exit ('Grexit') from the collective currency zone, at least for the time being.

As in previous years, the German economy continued to forge ahead as expected, despite flagging global growth. For instance, the real gross domestic product for all of 2015 gained 1.7% over the previous year. Thus, once again, economic growth came out slightly above potential growth. In 2015, the key pillar of the economy was once again private consumption. Growing by 1.9% over the previous year, private consumption contributed one percentage point to GDP growth. This is the strongest growth in 15 years, and is primarily attributable to the favourable jobs situation. With a seasonally adjusted labour force of over 43.2 million, November marked a new employment record. In addition, real wages enjoyed a significant boost from strong growth in nominal wages coupled with effective stagnation in consumer prices.

Over 2015, trends on the capital markets were largely influenced by central bank actions. Given the striking recent improvement in the labour market situation, the US Federal Reserve implemented an initial interest rate increase in December of 2015, as expected. In contrast, the European Central Bank (ECB) has continued and even accelerated its expansive monetary policy. In addition to reducing the deposit rate to –0.30%, it also announced further changes to the ECB expanded asset purchase programme (APP), such as its extension at least until March of 2017. The eurozone may even see a further relaxing of monetary policy down the road. Due to the continued decline in the price of crude oil, in March the ECB was already forced to drastically reduce its inflation forecast of 1.0% for 2016. On top of this, the market has experienced turbulence since the start of the year due to mixed economic signals from China. In this context, Mario Draghi issued an outlook on monetary policy for March 2016, thus preparing for further monetary easing. Controversially, an expansion of the asset purchase programme had already been discussed by the ECB Governing Council back in December of 2015, meaning it is still on the table as a possible course of action. Thus, the low interest rates from the previous year will continue. The US dollar benefited from the Fed's rate increase, coupled with the ECB's weakening of the euro. In this environment, the EUR/USD rate went from over 1.20 to just 1.08 USD per EUR over 2015. The EUR/USD cross-currency basis swaps over the short- and medium-term segments grew slightly again, to over –30 basis points.

Global economic outlook

After a weak Q4, the US economy returned to dynamic growth for the year. In this context, the trend on the US labour market remains positive. The Chinese economy continues to undergo a transitional phase in terms of its growth model, meaning that economic growth may see another slight decrease. However, support measures from fiscal and monetary policies should help avert a bumpy landing. The eurozone will continue to enjoy moderate growth over upcoming quarters.

Economic forecast for Germany and the eurozone

With the previous prevailing mood having remained incredibly strong for a long time with regard to liabilities, Germany and the eurozone recently also experienced a gathering of clouds in the economic climate. The recent drop in the ifo world economic climate index is merely a snapshot, but it also reflects the increased risks to the German economy. These include concerns over the economic situation in China, recent market turmoil and geopolitical conflicts. In particular, growth in China was slowing until recently, and other emerging markets such as Russia and Brazil are dropping out completely as engines of growth. However, despite the recent increase in risks, the key mood indicators are still in the growth zone and the outlook for a continued upswing in Germany is good, in spite of it all. The pillars of growth from the previous year will remain intact in 2016: signs of another major boost in consumption are very good. The recent drop in oil prices acts as a minor economic stimulus package, especially because low interest rates offer scarcely any incentives to save. We predict that this year's GDP growth will be similar to last year's.

The economic outlook is also good for the eurozone. For 2016, NORD/LB projects 1.5% growth in GDP compared to the previous year. The main driver here is still private consumption. In addition, low crude oil prices, the weak euro and relaxed ECB monetary policies will provide impetus for economic growth. However, the motor for investment is yet to really start running. Finally, we have non-negligible risks such as weak signals from China, the threat of terrorism, geopolitical conflicts and radical political forces in the EU emerging in the context of the refugee crisis. Mere discussion around undoing the Schengen Agreement, and thus also free travel between EU countries, has created significant uncertainty for businesses. The Brexit discussion, separatist efforts and an increase in right-wing populist parties are all obviously poison to the current economic climate.

Financial market performance and interest rate forecasts

Despite the change in interest rates in December 2015, the US Federal Reserve will continue its gradual normalisation of the interest policy, especially in light of the recent mixed signals from China. In any case, the most recent FOMC statement does not foresee a series of quarterly interest rate increases for 2016.

The eurozone may even see a further relaxing of monetary policy down the road. In March of 2016, faced with inflation projections with some significant revisions, the ECB announced new measures to stabilise inflation forecasts and support the economic recovery. From our point of view, this primarily means a further decrease in the deposit rate by 20 basis points. However, an expansion of the expanded asset purchase programme (APP) is also on the table as a possible option. This meant the monthly sum of purchases of public and private assets managed to increase slightly from the existing value of EUR 60.0 billion.

In this context, European government bond yields – especially in the short- and medium-term segments – decreased significantly again. Money market rates dipped further into negative territory due to the additional decrease in the deposit rate. For the capital market interest segment, somewhat higher yields are not expected until after a significant normalisation in inflation – i.e. not before the end of 2016. However, there is currently little evidence in favour of a lasting increase in capital market returns. An increase in yields of up to 0.7% for federal bonds with ten-year residual terms appears to be the upper limit until the end of 2016, based on the current outlook. Especially in the first half of 2016, some yields will remain significantly less than 0.5%, and it is not even possible to rule out new record lows.

The different alignments in monetary policies on either side of the Atlantic indicate that the strong US dollar will persist over the short term. However, over the medium term, NORD/LB foresees a reversal, due in particular to the impending economic recovery in the eurozone. In 12 months, a rate of 1.14 USD per EUR could be back on the horizon. However, China, global terrorism and geopolitical tensions remain potential factors for uncertainty on the markets. For these reasons, volatility will remain high over this year. In light of this projected exchange rate trend, EUR/USD cross-currency basis swaps should stabilise within a range of –35 to –40 basis points over the short- to medium-term segment.

Covered bond markets and public covered bonds (Lettres de Gage Publiques)

2015 was characterised by purchases by the European Central Bank and other central banks. For instance, in 2015, covered bonds were purchased in a volume of over EUR 112 billion in the Covered Bond Purchase Programme (CBPP3). In addition to this, over the first half of 2015, developments surrounding the debt crisis in Greece kept financial markets holding their breath. However, in the second half of the year this was superseded by discussions regarding the interest rate policies of central banks in Europe and especially the US.

The issue volume for benchmark loans denominated in euros showed significant growth over the previous year, driven in part by purchasing under the CBPP3 programme. Here, the issue volume increased significantly from approx. EUR 111 billion in 2014 to over EUR 142 billion in 2015. Once again, the most active market players were issuers from Central Europe, but issuers from the periphery of Europe exhibited the highest growth. With regard to the selected terms, the trend towards longer terms continues unabated, with the five-to-seven-year-term segment clearly dominating. Although banks were once again the most active investors in covered bonds, their share decreased from the previous year. This stems from the significant increase in the importance of central banks, who are now the second largest investor group. In third place, we have asset managers/funds. In terms of investor origins, German and Austrian investors continue to play the largest roles, purchasing just under half of all issues. The Nordic countries place a distant second.

The downward trend in secondary market spreads, observed as far back as 2012, initially continued over the first half of 2015, but disappeared over the second half of 2015 due to profit-taking and new issue premiums paid on the high issue volume. On balance, secondary market spreads grew over 2015: only Spanish 'multi-cedulas' and Portuguese covered bonds bucked this trend.
The downward trend in the share of publicly backed covered bonds continues unabated. However, the covered bond downgrading trend observed in past years has subsided. These have admittedly deteriorated somewhat due to the implementation of the Bank Recovery and Resolution Directive (BRRD) and adjustment of the bank-rating methodology. In return, the criteria for covered bond ratings were also adjusted. Covered bonds benefit from recognition of their special status as free of what is known as 'bail-in'. So overall, most covered bond ratings remained stable or even improved slightly, especially in terms of outlook.

On 29 September 2015, the European Commission published the long-awaited consultation paper on harmonisation of the European covered bond markets. Interested market participants had the opportunity to submit comments on this to the EU Commission. This initiative goes back to the EU Green Paper on the capital market union presented in February of 2015.
Luxembourg's interests are represented by the Luxembourg Banking Association (the 'Association des Banques et Banquiers Luxembourg' or the 'ABBL') in close coordination with covered bond issuers. Here, the ABBL and the issuers it represented essentially supported harmonisation efforts in areas such as transparency, collateral pool trustee law and procedures for collateral pools in cases of issuer insolvency. However, the ABBL is of the opinion that the existing risk profile with regard to the assets used in the collateral should be kept unchanged.

Performance in the business areas

Financial Markets & Sales
Sales, funding and bank control are the core activities of Financial Markets & Sales at NORD/LB CBB. The expansion of sales is a special point for attention, which is why employees from Investor & Public Relations have also been allocated to this division.

Long-Term Funding
Long-Term Funding encompasses management of the collateral pools of NORD/LB CBB, the issuing of covered bonds and long-term uncovered liquidity on behalf of NORD/LB CBB. For its issues in this area, NORD/LB CBB uses both an EMTN programme and standardised individual documentation such as registered covered bonds or bonded loans.
Here, issuing activities include both the issue of covered bonds in benchmark amounts and customised private placements.
The focus of the issuing activities, which use various currencies customary on the different markets, lies on trading in covered bonds, especially for the medium and long terms, with uncovered issues in the short-and-medium-term segment.
Covered bond activities, as a supplemental component of the funding for NORD/LB, are further reinforced from Luxembourg, providing a valuable contribution to refinancing the core activities of the NORD/LB Group. In addition to this, the investor base is expanded.
In 2015, NORD/LB CBB bucked the market trend in Luxembourg by making two highly successful placements of benchmark loans on the capital market. This included a five-year issue worth EUR 500 million amongst international investors in March. This extremely successful transaction was the fruit of a Europe-wide road show conducted by NORD/LB CBB in just over three weeks, across eight countries.

In the autumn, an additional benchmark loan in the amount of a further EUR 500 million was placed, with a term of three years.
The high-quality, well-diversified collateral pool won investors over (mainly banks, asset managers and insurers). The introduction of a voluntary self-obligation as a supplement to the provisions of the law (liquidity, transparency, excess coverage, LCR compliance) was also viewed favourably.
In addition to the issue of benchmark loans, NORD/LB CBB was also successful in private placements in 2015. The focus here was mainly on longer-term registered covered bonds (up to 20-year terms) placed with insurance companies and pension funds.
Long-Term Funding is the point of contact for the ratings agencies in the context of methodology discussions and changes. It represents the Bank in key national and international committees and working groups in the area of covered bonds.

ALM/Treasury
Within the Financial Markets & Sales department, ALM/Treasury is responsible for centralised management of all liquidity, interest and currency risks and acts within these core competencies as a provider of services and solutions for NORD/LB CBB. Its other duties include controlling securities portfolios and managing the balance sheet structure.
As an integral part of the funding activities of the NORD/LB Group, ALM/Treasury is represented in the relevant Group committees and is involved in Group harmonisation processes. ALM/Treasury is characterised by its broad diversification of refinancing sources and high degree of flexibility in currencies and terms, thus making an additional contribution to the refinancing of the NORD/LB Group, such as through the growth of the network

in Switzerland, including access to open market transactions of the Swiss National Bank (the SNB).
By means of active management of the customer flow within the market price risk limits set by the Board of Directors, ALM/Treasury provides a further contribution to income in bank book management. Here, derivative products (OTC and exchange-traded) are used in addition to traditional balance sheet products.
In the context of balance sheet management, ALM/Treasury supports the strategic approach and further development of NORD/LB CBB by evaluating internal limitations and regulatory prescriptions. In this regard, ALM/Treasury is responsible for duties such as long-term maintenance and cost-effective modulation of regulatory indicators (such as LCR).

Fixed-Income/Structured-Product Sales
The Fixed-Income/Structured-Product Sales Europe group is responsible for Europe-wide marketing of the NORD/LB fixed-income product range, and, in this context, provides services to end customers such as banks, central banks and institutional investors like asset managers and insurance providers in non-German-speaking parts of Europe. Standardised and structured financial products are sold in close cooperation with the Group, without incurring our own risks.
The objective in the standardised product segment ('flow product') is to support primary market activities and increase the turnover rate of the Group's business. The main flow products include covered bonds, loans for sovereigns, supranationals and agencies (SSAs) and issues from federal states in Germany. 2015 also saw an increase in the sale of corporate bonds, particularly corporate debentures. This asset class will continue to grow in importance in the coming years.
Another intention of the group is geographical diversification of refinancing sources by attracting European investors via NORD/LB CBB.

Performance in Financial Markets & Sales
2015 was a highly exciting and eventful year. Global markets were up and down. 2015 marked another year of geopolitical and economic crises. The world saw a market crash in China in the summer, a global slump in world markets in August and a decline in some currencies from emerging markets such as Brazil, South Africa, Russia and Turkey due to the strong US dollar and continued difficulties on the raw materials markets. The central banks are using debt purchase programmes (quantitative easing or QE) and zero interest rate policies to combat deflation and a global economic crisis. Financial Markets & Sales met these challenges with active interest rate management. Careful and conscientious portfolio management made it possible to achieve satisfactory results.
Just as in the previous year, the sales team managed to significantly boost business volume compared to 31 December 2014. The turnover figure of over EUR 15 billion was more than twice that of the previous year (+123%). Commission income enjoyed a similarly positive trend, while the recoverable average margin persisted at the same low level as last year. Two of the main causes of this were the low interest rate environment and the focus on a risk-averse product range (highly liquid loans with good to very good ratings).
As at 31 December 2015, the Bank was using this sales channel independently and exclusively to serve approx. 200 institutional clients in 26 European countries, including the largest central banks and asset managers in Europe.

The 2015 financial year was characterised by three main trends:

1. A sharp increase in business with central banks in the eurozone, especially in the context of the currently running CBPP3 and PSPP purchase programmes.
2. Vibrant trade with bank treasuries in the covered bond segment in the context of their liquidity management (LCR management)
3. Initial success in the new corporate debentures product segment: in the first year of responsibility for sales to European investors, the sales force successfully placed a total of six corporate mandates in six countries, including a well-known logistics firm domiciled in Luxembourg.

Covered bond bank activities, as a supplemental component of the funding for the NORD/LB Group, are further reinforced from Luxembourg, providing a valuable contribution to refinancing the core activities of the NORD/LB Group. In addition to this, the investor base is being expanded.
On the year-end reporting date of 31 December 2015, the asset pool exceeded the volume of the issued public covered bonds by a nominal sum of EUR 820 million (25.6%), or EUR 949.8 million (28.2%) in terms of present value, which far exceeds the legally prescribed excess coverage of 2.0%. On the reporting date of 31 December 2015, 37.0% of all assets in the collateral pool enjoyed the top ratings of AAA (Fitch) and AA (S&P).

Loans
The lending business in Luxembourg encompasses the areas of 'allied lending business with affiliated companies' and 'lending business guaranteed by savings banks'. NORD/LB CBB lending business services have a complementary character and supplement the Group's service catalogue.
Allied lending business accounts for the largest portion of the loan portfolio.
In terms of products, the Bank is particularly focusing on variable-interest loans, short-term fixed-rate loans in different currencies and factoring (individual and pooled purchases). Within NORD/LB, NORD/LB CBB provides the majority of the services for these operations. In addition to bilateral credit lines, the Bank also enters into complex consortium financing arrangements, taking on facility agent roles. The personnel and technical infrastructures of NORD/LB CBB are geared towards the administration of these loan variants.

Performance in Loans
The lending business is focused on collaboration with partners from the B2B and Structured Finance departments at NORD/LB. Development of new business was once again successful and resulted in slight growth in the loan portfolio.
Business with undertakings under public law is highly important to the bank. These loans serve as an asset pool for issuing covered bonds. Covered refinancing allows the Bank to offer competitive conditions.
The upward trend in allied lending business volume is also reflected in a stable contribution to interest terms, despite sustained pressure on margins in the loan segment. Lending business guaranteed by savings banks is not very significant in the loan portfolio in terms of volume or income. Demand from customers is also currently low.

Client Services/B2B
The Client Services/B2B segment relies on the Bank's high-quality IT infrastructure and expertise and the existing internal service offer to provide services to third parties. The objective is to make optimal use of the Bank's resources and expertise to generate additional income without RWA connections, thus further diversifying the earnings risk. In accordance with the business strategy of the Bank, the activities focus on customers within the company Group.

Outlook

2016 appears likely to be characterised by the monetary policies in the two main economic zones – the US and Europe – going in opposite directions. Despite a lack of momentum in the global economy, the European Central Bank is continuing its lax monetary policy in its rate. In 2016, the Fed, one of the largest central banks, will tighten its monetary policy for the first time in years. In addition, after their multi-year slide, raw materials prices may have finally bottomed out. Much will also remain the same in 2016, however.

NORD/LB CBB will continue its mission of generating additional covered refinancing for the core activities of NORD/LB by issuing covered bonds under Luxembourg law. Moreover, in 2016, NORD/LB CBB will continue to carry out various issues in the form of private placements and in benchmark amounts. The new corporate debenture product segment is in an even stronger position thanks to the sales force for European investors.

As an experienced and efficient partner in financing of corporate banking and structured transactions, NORD/LB CBB will increase its value creation for its customers and the NORD/LB Group.

In addition to this, the Client Services & B2B segment will focus even more on Group interests.

Ratings for NORD/LB Luxembourg S.A. Covered Bond Bank

	FITCH RATINGS	STANDARD&POOR'S
NORD/LB Luxembourg Covered Bond Bank		
Long-term / outlook / short-term	A- / stable / F1	BBB / negative / A-2
Lettres de Gage Publiques / outlook	AAA / stable	AA- / stable

Based on the aforementioned collateral pool values, NORD/LB CBB received top ratings from two ratings agencies. Fitch confirmed a rating of AAA for covered bonds of the predecessor institution, NORD/LB CFB, (with stable outlook) in its ratings update of 13 February 2015. On 1 June 2015, after conclusion of the merger of NORD/LB Luxembourg and NORD/LB CFB into NORD/LB Luxembourg S.A. Covered Bond Bank, the covered bond rating of NORD/LB CBB enjoyed another AAA with stable outlook from Fitch.

On 19 May 2015, Fitch downgraded both the long-term IDR and the senior unsecured rating one step from A to A- with a stable outlook. The short-term issuer default rating remained unchanged at F1. These ratings were confirmed by Fitch on 1 June 2015 after conclusion of the merger.

On 3 February 2015, ratings agency Standard & Poor's (S&P) confirmed an unchanged covered bond rating of AA+ with a negative outlook.

On 9 June 2015, S&P downgraded the ratings of several banks after application of its new ratings criteria with regard to public support for banks and additional loss-absorbing capacity (ALAC).

At this time, the long-term senior unsecured rating of NORD/LB CBB was downgraded from BBB+ to BBB and removed from the watch list. The outlook is still negative.

The short-term senior unsecured rating remains unchanged at A-2 with a negative outlook.

On 1 October 2015, S&P downgraded the Lettres de Gage Publiques rating of NORD/LB CBB from 'AA+ / negative outlook' to 'AA- / stable outlook'. In the spring of 2015, S&P changed its ratings criteria with regard to public support for banks and additional loss-absorbing capacity (ALAC). Consequently, the ratings estimates were amended for contractual parties in derivatives transactions in collateral pools.

The press release by Standard & Poor's on 1 October 2015 states the following[1]: '…NORD/LB LUX CBB's public sector covered bonds are eligible for four notches of collateral-based uplift from JRL to "AAA"'. The quality of assets in the collateral pool remains high.

[1]) Source: Standard & Poor's Ratings Services RatingsDirect of 01/10/2015, page 2

Income

The financial statements of NORD/LB CBB dated 31 December 2015 were drawn up in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

For technical reasons, the tables below may feature rounding differences.

The components of the profit and loss account performed as follows for the 2015 and 2014 financial years:

	2015 (in KEUR)	2014* (in KEUR)	Change** (in KEUR)	Before change in reporting methods 2014 (in KEUR)
Net interest income	93,316	103,841	–10,525	92,134
Loan loss provisions	–1,155	9,160	–10,315	9,160
Net commission expenses/income	–23,406	–17,539	–5,867	–17,539
Profit/loss from financial instruments stated at fair value affecting net income and hedge accounting	8,845	–10,450	19,295	1,257
Other operating income	–810	–2,164	1,354	–2,164
Administrative expenses	–44,090	–43,212	–878	–43,212
Earnings from financial investments	9,845	4,153	5,693	4,153
Annual income from continuing operations before income taxes	**42,546**	**43,789**	**–1,243**	**43,789**
Income taxes	–10,444	–7,285	–3,159	–7,285
Annual income from continuing operations after income taxes	**32,102**	**36,504**	**–4,402**	**36,504**
Income from discontinued operations after income taxes	0	1,111	–1,111	1,111
Annual income	**32,102**	**37,615**	**–5,513**	**37,615**

*) The figures from the previous year are adjusted values. See Note (2) Adjustment of previous year's figures.
**) The sign in the change column indicates the effect on earning

The income components break down as follows:

Net interest income

	2015 (in KEUR)	2014* (in KEUR)	Change** (in KEUR)	Before change in reporting methods 2014 (in KEUR)
Interest income	588,042	593,808	–5,766	570,588
Interest expenses	–494,726	–489,967	–4,759	–478,454
Net interest income	**93,316**	**103,841**	**–10,525**	**92,134**

*) The figures from the previous year are adjusted values. See Note (2) Adjustment of previous year's figures.
**) The sign in the change column indicates the effect on earnings.

Interest earnings fell by KEUR 10,525 from the previous year, down to KEUR 93,316.

Interest income from securities and book-entry securities (KEUR 169,919; previous year: KEUR 199,499) fell considerably over the past financial year. The main cause of this was the decrease in volume of securities in the Bank's portfolio.

This effect was only partially offset by positive trends in interest earnings from lending business and money market transactions (KEUR 68,486; previous year: KEUR 55,574), largely due to increased receivable volumes with non-banks, as well as positive trends in interest expenses for securitised debt, which decreased from KEUR –43,417 to KEUR –33,353 due to the market interest rate situation.

Loan loss provisions

Changes in the **loan loss provisions** resulted in expenses of KEUR 1,155 in the financial year (previous year: income of KEUR 9,160). The net burden was caused by the net allocation to specific provisions (KEUR –2,152; previous year: EUR –1,735), as well as the net allocation to portfolio-based provisions (KEUR –391; previous year: net release of KEUR 2,132). Relief came in the form of releases of provisions in lending business (KEUR 542; previous year: KEUR 8,827) and the net position from income received on depreciated receivables and from direct loan write-offs (KEUR 847; previous year: KEUR –65).

Net commission income

	2015 (in KEUR)	2014 (in KEUR)	Change* (in KEUR)
Commission income	18,365	19,519	–1,154
Commission expenses	–41,771	–37,057	–4,713
Net commission income	**–23,406**	**–17,539**	**–5,867**

*) The sign in the change column indicates the effect on earnings.

Commission income fell by KEUR 5,867 from the previous year, down to KEUR –23,406.

Commission income primarily comes from lending business and financial guarantees (KEUR 11,293; previous year: KEUR 16,179) and securities and custody business (KEUR 6,710; previous year: KEUR 2,816); this includes proceeds from the sale of securities for NORD/LB in the amount of KEUR 4,641. The other commission income (KEUR 312; previous year: KEUR 514) largely stems from account management and services.

Commission expenses are mainly attributable to profit-sharing (settlement price model) from business in partnership with other affiliates (KEUR –22,972; previous year: KEUR –18,562) and from lending business and financial guarantees (KEUR –17,414; previous year: KEUR –16,549), also taking into account the costs to cover loan risks. In addition to this, commission expenses also arise from securities and custody business (KEUR –1,385; previous year: KEUR –1,947).

The primary reasons for the decrease in commission income are the expenses and income from lending business and financial guarantees, which fell by a total of KEUR –5,751. This is essentially due to reduced commission income from flat commissions.

Profit/loss from financial instruments stated at fair value affecting net income and hedge accounting

	2015 (in KEUR)	2014* (in KEUR)	Change** (in KEUR)	Before change in reporting methods 2014 (in KEUR)
Trading profit/loss	379	–69,582	69,962	–67,467
Earnings from financial instruments designated on initial entry as stated at fair value through profit or loss	–2,860	55,603	–58,463	65,195
Earnings from hedge accounting	11,325	3,529	7,796	3,529
Profit/loss from financial instruments stated at fair value affecting net income and hedge accounting	**8,845**	**–10,450**	**19,295**	**1,257**

*) The figures from the previous year are adjusted values. See Note (2) Adjustment of previous year's figures.
**) The sign in the change column indicates the effect on earnings.

The **profit/loss from financial instruments stated at fair value affecting net income** (KEUR 8,845; previous year: KEUR –10,450) indicates the trading profit/loss in the proper sense of the term, as well as the income from financial instruments voluntarily designated under the fair-value option. Here, the **trading profit/loss** (KEUR 379; previous year: KEUR –69,582) partially offsets the **earnings from the fair-value option** (KEUR –2,860; previous year: KEUR 55,603). The high gross sum for the previous year was caused by income from securities of the category dFV (category selection to prevent accounting mismatch) which bears hedge relationships with hedging derivatives. Interest earnings from dFV securities (shown in interest earnings) came to a total of KEUR 13,699 in the 2015 financial year (previous year: KEUR 9,592). Due to hedge relationships, changes consist of AfS securities against hedging derivatives, which do not satisfy the restrictive requirements of hedge accounting. The changes in the **earnings from hedge accounting** (KEUR 11,325; previous year: KEUR 3,529) are the result of market interest trends and OIS and CVA/DVA effects.

Other operating income result

	2015 (in KEUR)	2014 (in KEUR)	Change* (in KEUR)
Other operating income	21,464	4,015	17,449
Other operating expenses	–22,274	–6,179	–16,095
Other operating income result	**–810**	**–2,164**	**1,354**

*) The sign in the change column indicates the effect on earnings.

The **other operating income result** improved by KEUR 1,354 up to KEUR –810.

The other operating income largely stemmed from income from other periods for refunds from overpaid turnover tax (KEUR 1,500; previous year: KEUR 1,074), lease income (KEUR 833; previous year: KEUR 632), income from settlement for services with NORD/LB Vermögensmanagement Luxembourg S.A. (KEUR 959; previous year: KEUR 0), income from release of accruals (KEUR 715, previous year: KEUR 143) and effects from the merger of the two predecessor institutions (KEUR 16,648; previous year: KEUR 0).

Other operating expenses essentially include expenses for settlement of services with the NORD/LB Group (KEUR 4,624; previous year: KEUR 4,184), for expenses associated with the bank and treasury functions fund ('Fonds de résolution Luxembourg' ('FRL')) and the new Luxembourg deposit guarantee fund ('Fonds de garantie des dépôts Luxembourg' ('FGDL')) (KEUR 1,294; previous year: KEUR 0), for settlement payments and provisions for ongoing legal proceedings (KEUR 12,400; previous year: KEUR 0) and for effects from the merger (KEUR 3,742; previous year: KEUR 0).

Administrative expenses

	2015 (in KEUR)	2014 (in KEUR)	Change* (in KEUR)
Personnel expenses	**–21,882**	**–22,727**	**845**
Payroll	–18,844	–20,107	1,263
Other personnel expenses	–3,038	–2,620	–418
Other administrative expenses	**–18,623**	**–16,977**	**–1,646**
Depreciation and value adjustments	**–3,585**	**–3,508**	**–77**
Administrative expenses	**–44,090**	**–43,212**	**–878**

*) The sign in the change column indicates the effect on earnings.

The **administrative expenses** increased by KEUR 878 over the previous year. This was primarily attributable to the other administrative expenses (KEUR –18,623; previous year: KEUR –16,977).

Personnel expenses were affected by measures associated with splitting the Private Banking segment off as an independent company. Setting this unusual factor aside, personnel expenses still increased slightly over 2015.

The increase in administrative expenses largely stems from project costs for the merger of NORD/LB Luxembourg with NORD/LB CFB and another international project within the Group.

Earnings from financial investments

	2015 (in KEUR)	2014 (in KEUR)	Change* (in KEUR)
Earnings from financial investments of category LaR including portfolio value adjustments	1,386	–16,462	17,848
Earnings from financial investments of category AfS (without participations)	8,460	15,018	–6,558
Earnings from affiliated companies	0	5,597	–5,597
Earnings from financial investments	**9,845**	**4,153**	**5,693**

*) The sign in the change column indicates the effect on earnings.

The **earnings from financial investments** break down into income from financial investments in the Loans and Receivables category (LaR) (KEUR 1,386; previous year: KEUR –16,462), income from financial investments in the category AfS (KEUR 8,460; previous year: KEUR 15,018) and income from affiliated companies (KEUR 0; previous year: KEUR 5,597).

The loss from financial investments in the category LaR in the previous year is attributable to early repayment of a liability with the Group. The earnings from financial investments in the category AfS came from the sale of securities in both periods. At the portfolio level, the main securities issued had a hedge relationship with futures whose offsetting values are factored into the trading profit/loss. The income from affiliated companies in the previous year came from the deconsolidation of Skandifinanz AG.

Income taxes

	2015 (in KEUR)	2014 (in KEUR)	Change* (in KEUR)
Current taxes	–10,405	–6,325	–4,080
Deferred taxes	–39	–960	921
Income taxes	**–10,444**	**–7,285**	**–3,159**

*) The sign in the change column indicates the effect on income.

The **income taxes** are calculated based on the tax rate projected for the financial year.

Assets and finances

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in millions of EUR)
Loans and advances to banks	1,510.0	1,398.8	111.2
Loans and advances to customers	6,768.8	6,199.1	569.7
Risk provisions	–39.9	–37.1	–2.8
Financial assets stated at fair value through profit or loss	1,287.0	1,336.5	–49.5
Financial investments	5,846.2	7,313.5	–1,467.2
Other assets	459.7	472.9	–13.2
Total assets	**15,831.8**	**16,683.7**	**–851.9**
Liabilities to banks	7,626.4	8,908.2	–1,281.8
Liabilities to customers	3,221.4	3,139.4	81.9
Securitised liabilities	3,114.2	2,650.6	463.6
Financial liabilities stated at fair value through profit or loss	204.6	178.4	26.2
Provisions	22.0	10.0	11.9
Other liabilities	942.9	1,066.9	–124.0
Shareholders' equity	700.3	730.0	–29.7
Total liabilities	**15,831.8**	**16,683.7**	**–851.9**

The **balance sheet total** decreased from the previous year's figure of EUR 16,683.7 million by EUR 851.9 million, down to EUR 15,831.8 million.

The figure for **loans and advances to banks** is essentially characterised by money transactions (EUR 1,201.3 million; previous year: EUR 972.4 million) and debentures (EUR 257.1 million). This position does not include any receivables from repos (previous year: EUR 113.2 million).

In line with the Bank's strategy, the **loans and advances to customers** largely consist of loan receivables in the amount of EUR 6,612.0 million (previous year: EUR 6,199.1 million). In addition to this, we also have receivables from debentures (EUR 81.1 million) and receivables from money transactions (EUR 77.5 million). The growth over the previous year is almost entirely due to the increased lending volume to corporate banking.

The **risk provisions** of the Bank in the amount of EUR 39.9 million (previous year: EUR 37.1 million) were essentially arranged for two commitments. The first is for a customer from the renewable energies sector with a risk provision sum of EUR 18.2 million, and the other is for a customer in the service sector, with a risk provision of EUR 18.0 million.

The **assets stated at fair value through profit or loss** come to EUR 1,287.0 million (previous year EUR 1,336.5 million) and primarily stem from securities in the category dFV used to hedge futures and interest rate swaps (EUR 1,194.2 million). To prevent an accounting mismatch, this category was selected for control.

The **financial investments** consist of securities categorised as AfS (EUR 3,139.7 million) and LaR (EUR 2,706.5 million). The decrease compared to the previous year (EUR 7,313.5 million) is mainly due to bullet securities.

The largest position in **other assets** consists of positive fair values from hedge accounting derivatives (EUR 290.4 million; previous year: EUR 472.9 million).

The **liabilities to banks** consist of money transactions (EUR 5,059.4 million), repos (EUR 1,983.5 million), issued debentures (EUR 400.0 million) and registered covered bonds (EUR 183.4 million). The decrease in repo transactions by EUR 1,968.7 million contrasts with an increase in liabilities from money transactions by EUR 652.4 million. The change is primarily due to regroupings in the product line and the planned reduction in the balance sheet total.

The **liabilities to customers** in the amount of EUR 3,221.4 million (previous year: EUR 3,139.4 million) consist of money transactions and issued covered bonds. The planned growth compared to the previous year primarily concerns issues of covered bonds that were purchased by corporate banking. The maturity dates for these are between 2016 and 2044.

The **securitised liabilities** increased by EUR 436.6 million from EUR 2,650.6 million on the previous year's reporting date. The newly issued European medium-term notes, at EUR 1,925.0 million (nominal volume), exceeded the maturing securities, at EUR 1,453.8 million.

The **liabilities stated at fair value through profit or loss** (EUR 204.6 million; previous year: EUR 178.4 million) include derivatives primarily involved in hedges.

The **other liabilities** come to EUR 942.9 million (previous year: EUR 1,066.9 million) and mainly comprise fair values from hedge accounting derivatives (EUR 791.8 million) and subordinated capital (EUR 114.9 million).

The balance sheet **equity** of the Bank came to EUR 700.3 million as at 31 December 2015 (previous year: EUR 730.0 million).

NORD/LB CBB does not have any branches, nor does it have any of its own shares in its portfolio.

Risk report

The NORD/LB CBB risk report for 31 December 2015 was prepared in accordance with IFRS 7.
The Bank is not running any significant risks from derivatives with complex structures.

Risk management

Principles

The operations of a financial institution are inextricably tied to the conscious acceptance of risks. Effective risk management in the sense of risk- and return-oriented equity allocation is therefore a key feature of modern bank management and has been a top priority at NORD/LB CBB since the very beginning. Risk management focuses primarily on controlling risks.

From an economic point of view, the Bank defines a risk as the possibility of direct or indirect financial loss due to unexpected negative deviations of actual business results from projected business results. Therefore, strictly speaking, expected losses do not constitute a risk under this definition because they have already been explicitly factored into the calculations. In order to hedge against unexpected financial losses, adequate sums of equity must always be available.

The risk management process implemented within NORD/LB CBB consists of the following stages: risk identification, risk evaluation, risk reporting and risk control and monitoring. This is subject to continuous monitoring and further development in close coordination with NORD/LB. Aside from organisational measures, necessary adjustments also include refinement of existing risk quantification procedures and constant updating of all relevant parameters. To identify risks, the Bank has set up a multi-stage process (risk inventory) to create a total risk profile according to the minimum requirements for risk management (or 'MaRisk'), General Part BGB 2.2, which profiles the risk types relevant to NORD/LB CBB and further divides them into material and immaterial risks. Material risks in this sense are those that may significantly affect capital resources, income, liquidity, or achievement of the Bank's strategic goals.

The total risk profile is checked (risk inventory) and, if necessary, adjusted at least once a year, or more often as needed.

According to the latest risk inventory, the following risks are still material: credit risk (including participation risk), market price risk, liquidity risk and operational risk The following risks are also relevant: business and strategic risk (including group risk), reputation risk, syndication risk, real estate risk and pension risk. Reasonable precautions have been taken for all identified risks.

According to the provisions of regulatory law, institutions must have compliant business organisations that guarantee adherence to the provisions of the law and operational requirements applicable to the institution. A compliant business organisation exhibits features such as definition of strategies based on procedures for determining and verifying risk-bearing capacity, covering both the risks and the capital available to hedge against them. These statutory requirements are firmly anchored for the Bank both in European law and in national legislation in Luxembourg and Germany.

Risk management: strategies

The NORD/LB CBB business policy is explicitly conservative in its approach. Thus, responsible risk control is the top priority. The formulated risk strategy is therefore in accordance with the business model, the business strategy and the prescriptions of the risk strategy of the NORD/LB Group, and is reviewed at least once a year. It includes the risk policy principles for the Bank, the organisation of risk management, the goals for risk control, the total risk profile, the risk appetite and the risk sub-strategies.

A key aspect of the risk strategy is the risk-bearing capacity (RBC) model, which is used to determine the risk appetite and the allocation of risk capital to the essential risk types.

The Group-wide RBC model conservatively states that in normal cases, under the 'going concern' approach, a maximum of 80% of the risk capital can be invested with risk exposure as a primary control cycle. A total of 20% of the risk capital must be set aside as a buffer and serves to hedge against risks from stresses and/or risks not explicitly quantified. The risk situation is measured using the utilisation of risk capital (ratio of the sum of risk exposure to the total risk capital).

The maximum allocation of risk capital to the material risk types is also determined within the framework of the risk strategy based on the RBC model. Based on the business model, the credit and market price risks are of particular importance, as evidenced by the corresponding allocation of risk capital.

The risk strategy strives for effective management of all material risk types and their transparent reporting to the Board of Directors, the supervisory bodies and other third parties with a legitimate interest in this information. Based on this, in terms of operations, NORD/LB CBB has several other tools to guarantee adequate transparency regarding the risk situation and design the required limitations and portfolio diversification in a controllable and monitorable manner. These tools are detailed in the official written rules of the Bank.

In 2014, a risk strategy was drafted for NORD/LB CBB. It took effect on the merger of NORD/LB Luxembourg and NORD/LB CFB on 1 June 2015, replacing the formerly applicable 'Risk strategy for Norddeutsche Landesbank Luxembourg S.A.' from 2013. The NORD/LB CBB risk strategy was reviewed and updated during the financial year. After adoption by the Board of Directors, the risk strategy was discussed and approved by the Supervisory Board.

Risk management: structure and organisation

Responsibility for risk management falls to the Board of Directors of NORD/LB CBB, which also sets the risk strategy. After the Board of Directors adopts the risk strategy, the Supervisory Board discusses and approves it.

The Chief Risk Officer (CRO) of the Bank is responsible for development and monitoring of the risk strategy in coordination with the Chief Executive Officer (CEO) according to a corresponding resolution of the general Board of Directors. This includes monitoring of all material risks, including risk reporting. The Board of Directors is supported in its decision-taking by special committees/working groups set up to bundle and monitor decisions related to risks.

The executive committee formed at the start of the year, which meets weekly, advises and supports the Board of Directors in its decisions on business and risk policy.

The Luxembourg Risk Committee (LRC) supports the Board of Directors in the area of risk control by recommending courses of action. The LRC's scope of action is defined by the business and risk strategy of the Bank. The LRC meets at least six times over the course of a year.

The main duty of the Asset Liability Committee (ALCO) is to define framework conditions for the control of market price risk positions, liquidity and interest risk positions and the investment books of the Bank. The ALCO develops recommendations for courses of action to support decision-taking by the Board of Directors, taking into account the (current) market situation and its impact on the Bank's liquidity and funding. The ALCO also meets at least six times over the course of a year.

The Internal Control System (ICS) of the Bank is based on the banking supervision requirements (ECB in conjunction with the CSSF), essentially defined in updated Circular 12/552. The role of the

ICS officer is filled by the Organisation Manager.
Risk management is subject to continuous monitoring and further development. The Bank uses the uniform NORD/LB Group method for this. Adjustments may be necessary in areas such as supervisory requirements, organisational measures, improvements procedures for risk quantification and continuous updating of relevant parameters. The risk-relevant organisation structure and roles, tasks, competencies and responsibilities for the departments involved in risk processes have been clearly and unambiguously defined down to the employee level. An organisational separation between front-office and risk management roles has been established all the way up to the level of the Board of Directors.
The following departments are involved in the risk management process at the Bank:

Front office / Back office	Division
Front office	Financial Markets & Sales
	Loans & Client Services
Back office	Finance & Risk
	Operations
	Compliance
	Human Resources & Governance
	Legal & Tax
	Audit

Risk Control (Finance & Risk department) within the Bank is responsible for the implementation of the RBC model applicable within NORD/LB, continuous monitoring of compliance and regular monitoring of the risk strategy.
Internal Auditing is responsible for risk-oriented and process-independent verification of the effectiveness and adequacy of risk management. Its objectives include monitoring for effectiveness, profitability and regulatory compliance of business operations. It also promotes optimisation of business processes and control and monitoring procedures.
Within the framework of the further development of the Group-wide monitoring tools, the Internal Auditing units of NORD/LB and NORD/LB CBB work in close collaboration based on a uniform auditing policy and an evaluation matrix for audit findings. In connection with this, Group-wide competence centres have also been created to explore complex and specialised topics and conduct audits in the institutions.
The Bank's Compliance department is responsible for identifying and evaluating the compliance risks within the Bank. It is responsible for guaranteeing that the Bank meets its requirements under the Internal Capital Adequacy Assessment Process (ICAAP) in full, particularly those from CSSF Circular 07/301 and its addenda circulars. The Bank's compliance charter details the defined tasks and responsibilities.
Alongside compliance and internal auditing, risk control is also an essential component of risk management according to the latest version of CSSF Circular 12/552. With the approval of the CSSF, the role of CRO as defined in CSSF Circular 12/552 has been filled at NORD/LB CBB by the Finance & Risk department manager. This means the CRO reports directly to the CEO. The main duty of risk control consists of verifying compliance with all internal prescriptions and procedures falling under this role's area of responsibility, regularly evaluating their adequacy in terms of the structural and process organisation, the strategies, business activities, risks of the institution and the applicable statutory and regulatory prescriptions and reporting directly to the Board of Directors and/or the Supervisory Board on these matters. The findings from this monitoring are summarised in an annual report drafted by Risk Control.
The New Product Process (NPP) governs how to deal with new products, new markets, new sales channels, new services and their variants. The main objective of the NPP is to define, analyse and evaluate all potential risks to the Bank prior to starting new operations. This includes the incorporation of all required audit reports and documentation on new business activities, their handling in the overall operational process, decisions on starting new operations and any associated restrictions.
All procedures and responsibilities relevant to the risk management process are documented in the risk manual of the NORD/LB Group and in the guidelines of NORD/LB CBB.
For further details on the structure and organisation of risk management, please see the subsections below on the structure and organisation by risk type.

Risk management: risk-bearing capacity model

The risk-bearing capacity model comprises the methodological basis for monitoring of compliance with the NORD/LB CBB risk strategy. Monitoring is handled by the Risk Control department at the Bank.
The purpose of the model is to provide an aggregate picture of the risk-bearing capacity (RBC) as part of a comparison with the risk exposures and risk capital resulting from the material risks. The regular monitoring and reporting process guarantees that the responsible committees within the Bank are kept up to date on the situation with regard to risk-bearing capacity. Thus, this model guarantees risk-oriented organisational control.
The NORD/LB Group uses a scenario-based RBC model which also meets the ICAAP requirements as per Basel III. In addition to providing the required proof of adequacy of capital resources, the model also serves to monitor consistency between risk strategies and actual business activities.
The RBC model consists of three scenarios (going concern, gone concern and regulatory) that compare the material risks (risk exposure) to the defined risk capital.
In this context, the going-concern case is the authoritative control cycle for the evaluation of risk-bearing capacity and adequacy of equity resources (ICAAP). The overarching guiding scenario for this primary control cycle is an independent going concern based on the existing business model, even if all collateral pools available have been consumed by materialising risks. The going-concern approach compares risk exposures economically calculated at a uniform confidence level of 95% to risk capital that is determined in a bottleneck analysis of the free regulatory equity at the defined minimum ratios (total capital and core capital) and adjusted within the framework of an update for additional effects on risk capital.
The second scenario is represented by the gone-concern approach and constitutes an additional condition in the RBC model. The gone-concern approach applies a higher confidence level for risk exposure of 99.9% and compares the risk exposure determined in this way to risk capital based on the total regulatory equity.
The third scenario of the RBC model, 'regulatory', is the official regulatory report on the adequate equity resources and accordingly takes into account the risk exposure calculated as per regulatory prescriptions. The regulatory scenario constitutes an additional strict condition within the RBC model.
In both the gone-concern and regulatory approach, the capital side is based on equity and near-equity capital that can be allocated to equity under the regulatory prescriptions on banks. The gone-concern approach includes an adjustment of the risk capital for various factors (e.g. to take hidden burdens into account). If the capital nee-

ded to hedge against risks in the gone-concern approach is used up, then in principle, the Bank cannot continue under the current assumptions. The design of the RBC model intends for the gone-concern approach to stimulate the going-concern approach that is decisive in evaluating the risk-bearing capacity. However, direct stimuli that are relevant to control grow out of the going-concern approach. Strategic limits are derived from the examination of risk-bearing capacity taking into account the risk capital allocations applied in the risk strategy based on the going-concern approach.

The reports on risk-bearing capacity (RBC reports) drafted monthly by Risk Control serve as input for the entire Bank's centralised risk reporting tool for the benefit of the Board of Directors and the supervisory committees. This process includes regular monitoring of compliance with the prescriptions of the risk strategy on risk appetite and allocation of risk capital to material risk types. The RBC calculations on the quarterly reporting dates are also fixed agenda items for the regular meetings of the Bank's Supervisory Board.

The calculation of risk-bearing capacity also takes into account risk concentrations, both within a risk type and across multiple risk types. Concentrations within a risk type mainly concern indicative credit risks, the most significant risk type for NORD/LB CBB. These are incorporated into the RBC model using the internal credit risk model and serve as input for the economic risk exposures.

Concentrations across multiple risk types are primarily analysed during stress tests. The stress test approach of the Bank builds on the relevant risks identified during the risk inventory. The Group-wide approach based on a predefined 'process line' for selection of scenarios, identification of functional chains and their translation into specific parameters and/or shock intensities forms the basis for effective implementation of ad hoc stress tests.

The business and risk focuses of the Bank were explicitly applied as selection guidelines in the selection and design of the stress scenarios. Thus, the sectors, segments, regions, customers, etc. with a decisive influence over the Bank's risk situation are to be selected. Assumptions related to decisive influence are based on absolute exposure, absolute risk contribution (portion of unexpected loss), rating distribution, business strategy orientations and past crises. Inter-risk concentrations are therefore an implicit focus of the stress test.

After identification of focus points, clear events are defined that describe negative developments for the selected focus points. The events must always be designed to apply across multiple risk types. Thus, stress test parameterisation must include all risk types which could incur adverse developments in the specifically defined crisis situation and thus increase the loss exposure of the stress situation. Loss exposures from stress actively use up economic risk capital. Furthermore, aside from the RBC scenarios, the impacts of stress scenarios are analysed for the control variables of the profit and loss account, distance to illiquidity and regulatory capital ratios.

According to the MaRisk requirements (General Part BGB 4.3.3) and the requirements of CSSF Circular 11/506 of 11 March 2011, tests known as 'inverse stress tests' must be conducted for NORD/LB CBB. Inverse stress tests examine which events could threaten the ability of the Bank to survive in such a way that, for instance, the original business model is no longer feasible or usable, or equity or liquidity provisions are inadequate. Inverse stress tests supplement other stress tests by examining adverse events or combinations of adverse events that could result in such situations.

In principle, the design of the NORD/LB CBB stress tests enables identification and quantification of breaches of critical thresholds in the occurrence of certain scenarios (inverse stress test). Fundamentally, the stress test procedure provides for targeted and appropriate intensification in the event that the effects from the stress scenario prove too weak in terms of their adverse impact.

As a supplement to stress tests across all risk types, an interview procedure covering all units in the Bank is used to address areas which may conceal pronounced concentrations. These are prioritised and, depending on their significance, subjected to a detailed scenario analysis. This scenario analysis is then decoupled from the assumptions on concentrations and diversification applied in the risk exposure measurement. In this regard, the procedure constitutes another independent approach to evaluating concentrations. The objective is to develop scenarios that encompass all material consequences on the key indicators for NORD/LB CBB.

Risk management: development of risk-bearing capacity in 2015

Following the merger of NORD/LB Luxembourg and NORD/LB CFB into NORD/LB Luxembourg S.A. Covered Bond Bank on 1 June 2015, the risk-bearing capacity calculation has been reported for the new institution since 30 June 2015. As expected, this did not result in any significant change in the risk situation.

The tables below show the utilisation of risk capital in the going-concern scenario for NORD/LB CBB as at 31 December 2015 and for its predecessor institutions as at 31 December 2014:

Risk-bearing capacity				
in millions of EUR	**31/12/2015**		**31/12/2014**	
Risk capital	**287**	**100%**	**258**	**100%**
Credit risks	40	14%	35	14%
Participation risks	0	0%	0	0%
Market price risks	31	11%	42	16%
Liquidity risks	11	4%	16	6%
Operational risks	3	1%	2	1%
Total risk exposure	**86**		**95**	
Utilisation		**30%**		**37%**

Based on the increased risk capital – which is attributable to lower regulatory risk-weighted sums, particularly from default risks – and on reduced market price and liquidity risk exposures, the degree of utilisation improved over the year by 7% and, just as on the previous year's reporting date, it is considerably below the internally defined maximum value of 80%.

Risk management: outlook

In the recent past, regulatory requirements on risk management have been changing at a steady pace, and will grow stricter in the future. Some examples here are the regulations on compliance of liquidity and funding indicators and requirements for retention of bail-in receivables and other associated capital indicators. The ECB also announced that it would be fulfilling its financial supervision role in a logical and strict manner.

On 7 July 2014, the European Banking Authority (EBA) published a consultation paper on 'Guidelines for common procedures and methodologies for the SREP (Supervisory Review and Evaluation Process)'. The guidelines provide a uniform framework for bank supervision activities in the evaluation of risks to the business model, solvency and liquidity of the institution. The competent authorities must integrate these guidelines into their supervision processes and procedures by 1 January 2016.

One new area of attention for the authorities is analysis of the business model. Depending on their rating, the institutions are subject to different minimum levels of supervision. In practice, this can have an effect on the cycle for monitoring of certain key indicators, rating of different core areas and for regular supervisory dialogue. In particular, the ratings focus on internal governance and audits; capital risks and adequacy of equity resources (ICAAP); and liquidity and refinancing risks and adequacy of liquidity resources (ILAAP).

During the financial year, the Bank, in collaboration with NORD/LB, analysed the risk management requirements resulting from this and identified the gaps. The analysis of new requirements showed that the Bank was already in compliance with many of them. The process of resolving the outstanding issues is already underway. The remaining gaps will be filled in 2016 in close coordination with NORD/LB.

Credit risk

The credit risk is a component of the default risk and can be subdivided into traditional credit risk and default risk for trading. The traditional credit risk covers losses due to default or a deterioration in the creditworthiness of a borrower. The default risk for trading covers losses due to default or a deterioration in the creditworthiness of a borrower and/or contractual partner in a business dealing. It is subdivided into non-payment risk for trading, replacement risk, settlement risk and issuer risk.

- The non-payment risk in trading covers losses due to default or a deterioration in the creditworthiness of a debtor. This corresponds to the traditional credit risk and pertains to money market transactions.
- The replacement risk covers losses from replacement of a pending transaction with a positive present value after a default on the part of the contractual partner.
- The settlement risk can be subdivided into advance payment risk and traditional settlement risk. The advance payment risk covers failure of consideration on the part of the contractual partner after completion of a deal and performance of our own service, and/or failure to pay compensation when offsetting one another's claims. The traditional settlement risk covers the inability to settle transactions on either side by or after the contractually agreed deadline.
- The issuer risk covers losses due to default or a deterioration in the creditworthiness of an issuer or a reference debtor.

In addition to the original credit risk, international transactions are also subject to country risk (transfer risk). This covers losses due to overriding government hindrances, despite the ability and willingness of the other party to meet its payment obligations.

Participation risk is also a component of the default risk. This covers losses due to provision of equity to third parties. In addition to this, potential losses from other financial liabilities also constitute a component of the participation risk, unless already factored into other risks.

Committing to participations is not a strategic interest of NORD/LB CBB. This is an immaterial risk.

Credit risk: strategy

NORD/LB CBB operates as a specialised covered bond bank. In accordance with the provisions of the law, covered bond banking consists of lending to certain borrowers and in refinancing by issuing covered bonds. Accordingly, the objective of a Luxembourg covered bond bank focuses on lending and portfolio management of public Luxembourg assets eligible for collateral pooling, i.e. particularly assets that are not eligible for collateral pooling in Germany under German law. This complementary strategy for covered bond trading by German covered bond issuers in the NORD/LB Group was explicitly selected to harness resulting diversification effects within the Group. In addition to this, it is also possible to include assets not eligible for collateral pooling on the books.

Lending business, and thus also credit risk management, constitutes a core competency that is subject to continuous improvement. Lending business is largely carried out in cooperation with the parent institution. We have enjoyed a long-term, successful partnership based on mutual trust.

The product range encompasses the traditional loan catalogue in all customary currencies. The service range includes the full catalogue in the areas of lending and loan management, including performance of facility agent services.

New lending business focuses on borrowers with good credit ratings.

In capital market business, too, NORD/LB CBB focuses on businesses in good standing. Credit risks in the Financial Markets & Sales department are managed within ALM/Treasury.

Credit risk: structure and organisation

According to Luxembourg bank supervision requirements, the lending business processes are characterised by a clear structural and organisational separation of the front office from the back office up to the level of the Board of Directors.

Within the framework of the aforementioned limits, the front-office departments of Loans & Client Services and Financial Markets & Sales handle the operational financial activities for customers, objects and projects, both domestically and internationally. They are primarily responsible for the core duties of acquisition (also in collaboration with NORD/LB) and sales. The front-office departments are responsible for the first vote, for arranging the terms and conditions and for the results.

The back office handles the analysis and risk monitoring tasks, performed by Credit Risk Management (in the Finance & Risk department). This unit is responsible for the second vote in lending decisions.

The Board of Directors is responsible for overall credit risk management for the portfolio. In this process, the LRC supports the establishment of connections between individual lending decisions and portfolio control, as well as cross-risk-type point of view. The LRC recommends various tools to the Board of Directors for this, e.g. acquisition stops, limitations on country-, sector- or borrower-specific groupings, or the placement of exposures or sub-portfolios.

Credit risk management within the Bank is based on NORD/LB concepts and is under continuous development according to operational and regulatory criteria and/or adjustment to institution-specific needs.

Credit risk: control and monitoring

For evaluation of credit risks for individual borrowers, NORD/LB calculates a credit rating class during the initial, annual and/or ad hoc credit assessment for each borrower and provides this to NORD/LB CBB. The ratings modules used in this process were developed either during different projects in the savings banks/federal state bank partnership or in-house by NORD/LB.

To control risks at the level of individual transactions, a specific limit is defined for each borrower within the framework of operational limitation, which serves as a credit limit. The essential parameters for calculating this limit are the credit rating of the borrower, expressed as a grade, and the free resources available to it for debt servicing.

Risk concentrations and correlations at the portfolio level are profiled in a credit risk model during quantification of credit risk exposure. In addition, risk concentrations are bound by country and sector limits at the portfolio level and within the framework of the large exposure management limit model based on groups of associated customers. The exposure limits are geared towards the Bank's risk-bearing capacity.

The Finance & Risk department at NORD/LB CBB is responsible for independent monitoring of portfolios with regard to strategic and operational prescriptions.

Loan portfolio control focuses on opportunities and risks. With regard to early identification of crisis situations, the risk management process uses structured procedures and processes for standardised collection of risk-related information and its translation into corrective measures. In the context of credit risks, corresponding processes, systems and prescriptions for early identification of risks are in place at the level of the portfolio, as well as individual borrowers. Taking existing risk limits into account, this standardised infrastructure is used to calculate qualitative early warning indicators to identify crisis situations and implement risk mitigation measures.

Securitisation

At NORD/LB CBB, securitisation transactions are subject to a stringent approval and monitoring process, in order to identify and control any risks before and after conclusion of the contract.

Just like its predecessor institution NORD/LB Luxembourg, NORD/LB CBB provides a liquidity facility, in partnership with NORD/LB as sponsor, to enhance the credit quality of the asset-backed commercial paper (ABCP) conduit programme of NORD/LB. In addition to this, the Bank is involved as an investor in a factoring arrangement. This exposure is guaranteed in full by NORD/LB.

The Bank uses the IRB approach to evaluate both of these securitisations when calculating the equity requirements.

The Bank classifies both of these securitisation positions as low-risk.

Participations

Since the sale of Skandifinanz AG in March 2015, NORD/LB CBB has had only one participation. The subsidiary Galimondo S.à r.l., founded on 5 September 2014, is an immaterial participation with an investment book value of EUR 12,500.

For this participation, an equity requirement was calculated from default risks and a deduction was applied to the regulatory equity. In this process, the Bank uses the simple risk-weighting approach as per the CRR. Due to lack of materiality, we have forgone a quantification for risk-bearing capacity. Finance & Risk handles risk monitoring. Moreover, the Bank's Internal Auditing department is also involved in participation monitoring. Implementation of rules is guaranteed by committee mandates in the essential bodies of the subsidiary.

Credit risk: assessment

Quantification of credit risks is based on the risk indicators expected loss and unexpected loss. The expected loss is calculated based on the one-year probability of default, taking into account recovery rates and/or resulting loss rates.

The unexpected loss for the credit risk is quantified at NORD/LB CBB using an economic credit risk model for different confidence levels and a time frame of one year. The credit risk model used by all units in the NORD/LB Group brings correlations and concentrations together in the risk assessment and is subject to annual reviews and approvals.

The credit risk model calculates the unexpected loss at the level of the entire portfolio. The model used is based on the basic CreditRisk+ model. Correlated sector variables are used to profile systematic sector influences on loss distribution. Estimation of the probability of default (PD) is supported by the internal rating procedure. The loss rates (loss given default or LGD) are defined in a transaction-specific manner.

The credit risk model works with a simulation procedure that factors in specific dependencies between borrowers, e.g. on the basis of Group structures. In addition to damages due to default, this also takes into account potential damages due to rating migrations.

The methods and procedures for risk quantification are harmonised amongst the NORD/LB Group companies designated as essential, in order to guarantee uniformity in the NORD/LB Group. Risk management and controlling is currently performed for the Bank by Risk Control and Credit Risk Management at NORD/LB CBB, taking into account institution-specific needs.

To calculate regulatory capital requirements for credit risks, NORD/LB CBB applies the internal ratings-based approach (IRBA). As an exception to the above statement, the standardised approach for credit risk is applied for a few portfolios. Through its parent institution, the Bank is authorised to use its rating system and apply credit risk reduction techniques.

Credit risk: reporting

As part of the management information system, the Finance & Risk department drafts a thorough quarterly loan portfolio report at the level of NORD/LB CBB for the Board of Directors and for the members of the LRC, in order to ensure timely detection of existing risks and/or risk concentrations and implementation of any necessary measures. Credit portfolio reports are also discussed in meetings of the Supervisory Board.

In principle, the credit portfolio report is based on economic calculations of risk indicators (expected and unexpected loss) and therefore bears a direct relation to the risk-bearing capacity scenarios.

In addition to a detailed account of the credit portfolio by segment, rating class, sector and region, the report also includes quantitative and qualitative analyses on selected borrowers and individual exposures. New developments in regulatory indicators are also covered by the report, as are credit-risk-specific stress tests.

Moreover, the Credit Risk Management department provides the Board of Directors and members of the LRC with additional regular and ad hoc reports on the Bank's loan portfolio, such as on risk concentrations under borrower units, country and sector concentrations and noteworthy exposures (the 'credit risk watch list').

Credit risk: performance in 2015

The maximum default risk amount for balance-sheet and off-balance-sheet financial instruments came to EUR 17.3 billion on the reporting date and fell slightly by 5.2% over 2015.

Risk-bearing financial instruments in millions of EUR	Maximum default risk amount 31/12/2015	31/12/2014
Loans and advances to banks	1,510.0	1,398.8
Loans and advances to customers	6,768.8	6,199.1
Financial assets stated at fair value through profit or loss	1,287.0	1,336.5
Positive fair values from hedge accounting	290.4	360.2
Financial investments	5,846.2	7,313.5
Sub-total	**15,702.4**	**16,608.0**
Guarantees for third parties	160.0	179.3
Unutilised loan commitments	1,401.9	1,422.2
Total	**17,264.3**	**18,209.5**

Compared to the tables below on total exposure, which are based on internal data available to the management, the maximum default risk sum in the above table is given at book value.

The discrepancies between the sum of the total exposure according to internal reporting and the maximum default risk sum are due to the different area of application, the definition of total exposure for internal purposes and the different balance sheet and valuation methods.

Calculation of credit exposure is based on drawdowns (for guarantees, the nominal value; for securities, the book value) and credit equivalents from derivatives (including add-on, and taking netting into account) The credit exposure is comprised of unconditional loan commitments at 44.9% (previous year: 42.5%) and conditional loan commitments at 44.9% (previous year: 37.5%), whereas guarantees are not factored in.

Analysis of credit exposure

The credit exposure on 31 December 2015 came to EUR 17.8 billion. This significant decrease in exposure by 14.1% came as a result of a decline in repo transactions and securities sales.

To classify the credit exposure into different ratings, NORD/LB CBB uses the standard IFD rating scale, agreed to by the banks, savings banks and associations belonging to the ‘Germany as a financial centre’ initiative (the Initiative Finanzstandort Deutschland or IFD). This is intended to improve the comparability between ratings categories of individual financial institutions. The uniform NORD/LB CBB ratings classes of the 18-grade DSGV rating master scale can be transposed directly into IFD classes.

The table below shows the rating structure for the total credit exposure, broken down by product type, with the total compared to the structure of the predecessor institution:

Rating structure [1) 2)] in millions of EUR	Lending [3)] 31/12/2015	Securities [4)] 31/12/2015	Derivatives [5)] 31/12/2015	Other [6)] 31/12/2015	Total 31/12/2015	Total 31/12/2014
Good to very good	8,025.0	6,347.4	173.4	0.0	**14,545.8**	**17,282.2**
Good/satisfactory	913.5	657.3	0.0	0.0	**1,570.7**	**1,658.1**
Almost good/satisfactory	441.4	16.6	11.2	0.0	**469.2**	**509.4**
Increased risk	610.2	362.1	0.0	0.0	**972.3**	**949.4**
High risk	15.2	0.0	0.0	0.0	**15.2**	**126.6**
Very high risk	54.3	0.0	0.0	0.0	**54.4**	**12.6**
Default (= NPL)	107.2	17.0	0.0	0.0	**124.1**	**103.2**
Total	**10,166.8**	**7,400.4**	**184.6**	**0.0**	**17,751.8**	**20,676.6**

[1)] System according to FD rating classes
[2)] Summation differences are rounding differences
[3)] Contained in entitlements and/or committed loans, sureties, guarantees and other non-derivative off-balance-sheet assets and, just as with internal reporting, including unconditional loan commitments and conditional ones at 44.9%
[4)] Includes own shares held by third-party issuers (investment book only)
[5)] Includes derivative financial instruments such as swaps, options, futures, forward rate agreements and foreign exchange transactions
[6)] Includes other products such as fully modified pass-throughs and administered loans

The majority of the total exposure (81.9%) is rated as 'good to very good'. The continued high percentage in this top rating is explained by the large portion of business with financial institutions and public authorities.

The total credit exposure by sector groups breaks down as follows:

Sectors 1) 2) in millions of EUR	Lending 3)	Securities 4)	Derivatives 5)	Other 6)	Total	
	31/12/2015				31/12/2015	31/12/2014
Financial institutions/insurers	4,069.1	3,546.0	167.4	0.0	**7,782.5**	**10,931.7**
Service sector/other	2,263.6	3,532.8	4.7	0.0	**5,791.2**	**5,783.3**
Portion in property/housing	352.1	0.0	0.0	0.0	**352.1**	**423.3**
Portion in public authorities	0.0	3,469.6	0.4	0.0	**3,470.0**	**3,760.6**
Transport/communication	635.0	61.4	0.8	0.0	**697.2**	**724.9**
Portion in shipping	2.1	0.0	0.0	0.0	**2.1**	**14.2**
Portion in aviation	0.5	0.0	0.0	0.0	**0.5**	**33.9**
Processing sector	1,452.4	0.0	0.1	0.0	**1,452.5**	**1,347.0**
Power supply, water supply, mining	1,018.4	260.2	0.4	0.0	**1,279.1**	**1,387.4**
Trade, maintenance, repairs	557.2	0.0	11.2	0.0	**568.5**	**379.5**
Agriculture, forestry aquaculture	13.8	0.0	0.0	0.0	**13.8**	**13.2**
Construction sector	167.3	0.0	0.0	0.0	**167.3**	**109.4**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**10,166.8**	**7,400.4**	**184.6**	**0.0**	**17,751.8**	**20,676.6**

1) System analogous to internal reporting using economic criteria
2) to 6): see preceding table on rating structure.

The table shows that the business with financial institutions and/or insurers with good ratings, which has thus far been essentially relatively low-risk, once again comprises a large portion of the total exposure (43.8%). If we include public authorities, this portion of the total exposure comes to 63.4%.

The total credit exposure by region breaks down as follows:

Regions 1) 2) in millions of EUR	Lending 3)	Securities 4)	Derivatives 5)	Other 6)	Total	
	31/12/2015				31/12/2015	31/12/2014
eurozone	7,843.6	4,194.8	128.4	0.0	**12,166.9**	**15,099.3**
Portion in Germany	6,783.1	1,924.7	126.5	0.0	**8,834.3**	**10,298.9**
Rest of Europe	1,333.3	893.6	38.6	0.0	**2,265.5**	**2,428.7**
North America	973.2	1,949.8	16.7	0.0	**2,939.7**	**2,724.6**
Central and South America	0.4	14.4	0.0	0.0	**14.8**	**18.7**
Middle East/Africa	10.8	0.0	0.0	0.0	**10.8**	**6.2**
Asia/Australia	5.5	347.7	0.9	0.0	**354.2**	**399.1**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**10,166.8**	**7,400.4**	**184.6**	**0.0**	**17,751.8**	**20,676.6**

1) System analogous to internal reporting using economic criteria
2) to 6): see preceding table on rating structure.

The Bank is invested almost exclusively in regions with strong economies. Because this affects the country ratings, the country risk tends to be of lesser importance. With a high percentage of loans (68.5%), the eurozone is once again by far the main economic region.

Non-performing loans (NPLs)

For acute payment default risks, the Bank builds up specific provisions (EWBs) in cases where the impairment policy provides objective indications to this end. The risk provision requirements are based on the present value of the expected interest and principal payments and proceeds from the liquidation of collateral.

The deferred payment default risk for the total balance-sheet and off-balance-sheet operations not covered by specific provisions is taken into account by building up portfolio provisions (PoWBs) for devaluations that have already occurred but are not known on the reporting date.

On the reporting date, the risk provisions of the Bank (including credit provisions) came to EUR 62.1 million and, in addition to portfolio provisions in the amount of EUR 25.3 million, also contained specific provisions in the amount of EUR 36.4 million. This includes EUR 18.2 million for one borrower in the processing sector and EUR 18.0 million for one borrower in the service sector. The remaining EUR 0.2 million were set aside for a borrower in the construction sector.

In addition to this, provisions for off-balance-sheet risks in the amount of EUR 0.3 million were set aside due to a borrower in the processing sector, in addition to EUR 0.5 million for portfolios.

Credit risk: outlook

Measures to further optimise the models for quantification and control of credit risks are planned for 2016. In addition to the further development of the economic credit risk model (such as by revising the sector system), the loss data collection for validation of the LGD and credit conversion factor (CCF) components will also be further expanded.

Market price risk

The market price risk covers potential losses which may arise from changes in market parameters. The Bank divides the market price risk into interest risk, currency risk and volatility risk.

The interest risk consists of the components general interest risk (including credit spread risk) and special interest risk. A general interest risk exists whenever the value of a position or a portfolio responds to changes in one or more interest rates and/or changes in entire yield curves which may result in a reduction in the value of the position. This also includes credit spread risks arising during changes in the credit spread applicable to the issuer, borrower or reference debtor that is used for market valuation of the position.

According to the regulatory definition, the special interest risk includes potential value changes arising from rating migrations or default on the part of issuers (for securities) and/or reference debtors (for credit derivatives). According to the understanding of the NORD/LB Group, the special interest risk corresponds to the issuer risk.

Therefore, according to the understanding of the NORD/LB Group, the interest risk corresponds to the general interest risk. Consequently, the internal reporting of the NORD/LB Group does not distinguish between interest risk and general interest risk.

Currency risks exist when the value of a position or portfolio responds sensitively to changes in one or more foreign exchange rates, resulting in a reduction in the value of the position.

The volatility risk covers reduction in the value of an option position due to a response to potential value changes resulting from market movements in the volatilities used for option valuation.

Market price risk: strategy

NORD/LB CBB incurs market price risks in its general covered bond transactions, in interest rate management (‘asset liability management’) and to a limited degree in business in the account book. In general, opportunistic investments are not permitted. Thus, transactions are only carried out in the account book if they were concluded:

- for acceptance, forwarding and execution of purchase and/or sale orders from customers (i.e. trading in financial instruments as a service without investment), or
- for hedging of transactions with customers, for market management in customer products and for interest rate, liquidity (including collateral) and currency management, or
- in the context of risk-weighted asset management.

The activities in the Financial Markets & Sales department associated with market price risks cluster around selected markets, customers and product segments. Positions in the money, currency and capital markets should correspond to the significance and size of the Bank and are primarily geared towards customer needs and support for general management of the Bank.

The Bank has explicitly accepted risk concentrations associated with market price risks. They occur mainly in the areas of credit spread risks and interest risks.

The strategic securities investments made by the predecessor institution to NORD/LB CBB have produced significant credit spread risks in the investment book. These are primarily found in the collateral pool and/or in what is known as the divestment portfolio. In this regard, the general objective of the Bank is to collect the credit spreads up until maturity of the exposure. In the divestment portfolio, the credit spread risks are successively reduced by divestment of the portfolio.

Other credit spread risks result from securities used for interest rate and liquidity management.

The high percentage of market price risks in the total risk capital (strategy stipulation: 41%) is explained by the significance of the securities portfolio and the volatility in credit spread risks observed in the past. In order to adequately mitigate these risks, Risk Control carries out dedicated measurement, monitoring and limitation of credit spread risks and an analysis of essential drivers on a daily basis.

Interest risks mainly stem from orders from Balance Sheet Structure Management and/or Interest Rate Management in the ALM/Treasury. Here, customer-initiated lending business and securities trading, which occurs within the framework of collateral pool management and interest rate and liquidity management, are combined with interest rate products and/or interest rate derivatives.

In line with its business model, NORD/LB CBB does its best to minimise currency risks. Overall, utilisation of market trends is of lesser importance in this area.

Market price risk: structure and organisation

All departments that control market price risk-bearing positions and bear profits and losses arising from market changes are involved in the process of controlling market price risks.

In terms of operations, the market price risks are controlled by ALM/Treasury. The ALCO (Asset Liability Committee) sets the framework conditions for strategic market risk positions in the context of general management of the Bank, including strategic interest rate positioning.

The ALCO develops recommendations for courses of action to support decision-taking by the Board of Directors, taking into account the market situation and its impact on liquidity and funding.

Risk Control – which is correspondingly functionally and organisationally independent of the departments controlling market price risk, as per national regulations and German MaRisk requirements – fulfils the duties related to control and monitoring processes within the framework of the market price risk management processes. Verification of compliance with limits in the context of market price risk (e.g. risk or loss limits) is a key monitoring process. In addition, Risk Control monitors compliance with the trading strategy of the Bank. Monitoring in the broad sense also includes regular or ad hoc validation of the methods, models and parameters used and their applications.

Market price risk: control and monitoring

For control and monitoring, including limitation of market price risks, a value-at-risk (VaR) procedure that is uniform within the NORD/LB Group is used for all portfolios. Risk and loss limits are derived from the going-concern scenario for risk-bearing capacity and/or from the risk capital allocated for market price risks.

The Board of Directors of NORD/LB CBB defines the limits at the overall level of the Bank. The heads of the Financial Markets & Sales and Finance & Risk departments are responsible for portfolio distribution. Correlation effects between portfolios, where demonstrable, are taken into account in the delegation of sub-limits. Risk Control regularly validates the correlation assumptions. Any losses are counted towards separate loss limits and, according to the principle of self-depreciation, result in a reduction in the VaR limits.

One risk monitoring objective to highlight here is early identification of risks. For market price risks, the daily P&L analyses and monitoring of limit compliance in particular serve as early warning indicators.

Market price risk: assessment

Calculation of value-at-risk indicators is performed daily using the historical simulation method. In addition, we also employ a Group-wide uniform unilateral confidence level of 95% and a holding period of one trading day for application and/or 250 days in cases of credit spread value at risk. On a monthly basis, Risk Control also prepares a VaR calculation within the framework of the risk-bearing capacity calculation.

The VaR is determined based on historical changes in risk factors over the last 12 months. The models take into account correlation effects between risk factors and sub-portfolios.

VaR models are particularly well suited to measurement of market price risks in normal market environments. The historical simulation method is based on past data and is therefore dependent on the reliability of the time series used. The VaR is calculated based on the holdings received by the end of the day, which means it may not reflect changes in positions during the day.

In a manner analogous to calculation of market price risks in the risk-bearing capacity model, the VaR indicators are also scaled with a stabilising adjustment factor in day-to-day management, which is determined based on long-term statistical analyses of market price risk factors significant to NORD/LB CBB. In very quiet market periods, including at the previous year-end, this factor causes an increase in the calculated VaR value of 50% to 60%. Due to wide market factor fluctuations in Q4 2015, the scaling factor was 1.0 at year-end.

The predictive value of the value-at-risk model (VaR and CSVaR) is verified using extensive back-testing analyses. Here, the daily value change in the portfolio in question is compared to the value at risk of the preceding day. A ‘back-testing outlier’ is when the observed negative value change exceeds the value at risk. In a manner consistent with the daily VaR calculation, back-testing is conducted based on the scaled VaR indicator.

With respect to the VaR at the overall level of the Bank, the number of outliers in NORD/LB CBB was in the green zone according to the Basel traffic light system. A total of 12 outliers occurred during the financial year, corresponding to a rate of 4.8%. For back-testing of the CSVaR, the outlier rate at NORD/LB CBB was 3.1% for the financial year. This also results in a green light under the Basel traffic light system. A total of seven outliers were identified, six of these after the merger.

As a supplement to daily VaR management, monthly stress test analyses also examine the impacts of extreme market changes on risk positions.

In addition to this, interest sensitivities are calculated on a daily basis. These are reported in the daily report in aggregated form for each currency at the level of the individual portfolios and maturity bands.

Market price risk: reporting

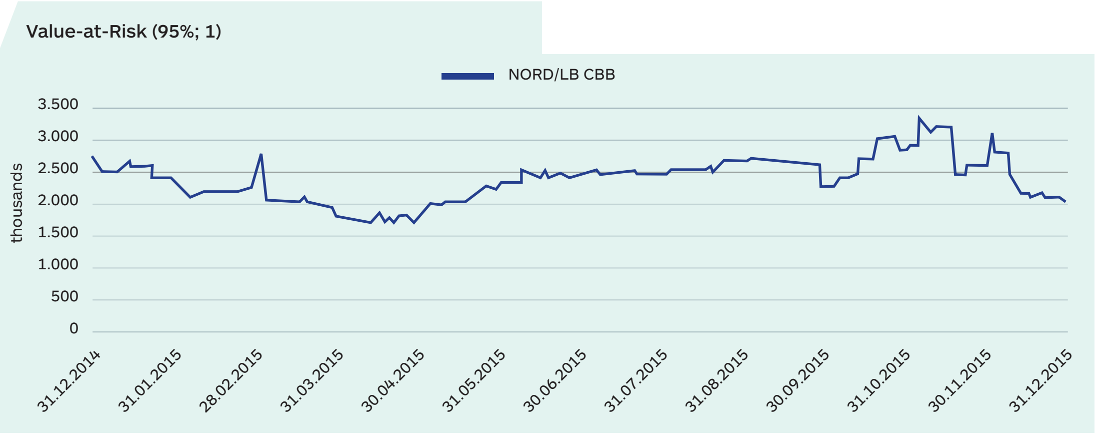
According to the MaRisk requirements, the Risk Control division, independent of the department responsible for positions, reports daily on the market price risks to the head of Financial Markets & Sales and the front-office Board of Directors (VaR and CSVaR).

In addition to the value-at-risk analyses, the head of Financial Markets & Sales and the Board of Directors receive daily information on the CSSF stress test and the impact of other stress scenarios and back-testing results.

The Board of Directors receives thorough information in daily risk reports on market price risks and the earnings situation. Information is also provided in the monthly risk report. The market price risks also serve as inputs in the reporting on risk-bearing capacity across all risk types.

Market price risk: performance in 2015

The figure below shows the trend in the Bank’s overall value at risk (confidence level 95%, holding period one day) over the course of the year. Until 31 May 2015, this was based on the data from the former NORD/LB Luxembourg Group. Since 1 June 2015, the data has come from NORD/LB CBB. However, both institutions feature the same risk structure:



Due to the increased capital allocation to market price risks in the risk-bearing capacity model, the overall Bank value-at-risk limit as at 13 February 2015 from the former NORD/LB Luxembourg Group increased from EUR 3.8 million to EUR 4.3 million. This limit was approved by the Board of Directors of NORD/LB CBB effective as at 1 June 2015.

On 31 December 2015, utilisation stood at EUR 2.0 million, or 46.4% (previous year: EUR 2.7 million). The securities held for interest rate and liquidity management result in a strength from credit spread risks. Interest risks are mainly due to transactions in EUR and GBP.

Utilisation of the VaR limit was 56.2% on average for the year (previous year: 58.6%), with a maximum utilisation of 77.3% (previous year: 73.4%) and a minimum utilisation of 38.3% (previous year: 17.0%).

As at 31 December 2015, measurements showed interest rate risks of EUR 1.0 million, foreign currency risks of EUR 0.2 million, volatility risks of EUR 0.02 million and credit spread risks from HfT and AfS positions of EUR 1.9 million.

In addition, for the interest rate risks in the investment book, the impact of a standardised interest rate shock is analysed monthly according to the requirements of CSSF Circular 08/338. The result is once again well below the regulatory threshold, which prescribes a maximum of 20% of liable equity.

For calculation of the regulatory capital requirements for interest rate, currency and price risks, the Bank uses the standard procedure according to CRR. Taking into account the requirements for credit valuation adjustment (CVA), an equity requirement of EUR 1.4 million (previous year: EUR 8.4 million) was calculated for the market price risk on 31 December 2015.

In contrast to the credit spread risks of IFRS categories HfT, AfS and dFV, the credit spread risks of the LaR holdings are not included in the value at risk for market price risks because this applies to the going-concern scenario of the risk-bearing capacity model. They are therefore measured and limited separately via the credit spread value at risk with a confidence level of 95% and a holding period of 250 days. The limit is derived from the gone-concern scenario of the risk-bearing capacity model.

The credit spread value-at-risk limit for LaR holdings of the former NORD/LB Luxembourg Group increased on 16 February 2015 from EUR 134 million to EUR 161 million. By a resolution of the Board of Directors of NORD/LB CBB, the limit was reduced on 16 June 2015 to EUR 147 million.
The average limit utilisation in the financial year came to 51.1%, with a maximum of 66.9% and a minimum of 39.3%.
As at 31 December 2015, the credit spread value at risk of the LaR holdings stood at EUR 66.9 million (previous year: EUR 83.9 million).

Market price risk: outlook
NORD/LB CBB does not expect any significant increase in market price risk over 2016. The Bank assumes lateral movement with regard to the further development of the credit spread risk. Based on the monetary policy decisions of central banks as well as the geopolitical environment, increased volatility may nevertheless arise on the market in phases, which may in turn impact the risk situation.

Liquidity risk
The liquidity risk encompasses risks which may arise from disruptions in the liquidity of individual market segments, unexpected results in lending, deposits or issues or deterioration in internal refinancing conditions. In the understanding of the Bank, the placement risk is a component of the liquidity risk. This covers an inability to place our own issues on the market under good conditions.
In liquidity management, the Bank differentiates between the following forms of liquidity risk:

<u>Traditional liquidity risk</u>
Traditional liquidity risk covers the inability to meet payment obligations in a timely manner. Potential causes may be a general disruption in liquidity on the money markets, individual institutes or the entire financial market. In particular, market disruptions may result in decisive asset classes falling out of use as securities. Alternatively, unexpected events in our own lending, deposits or issues business may cause liquidity bottlenecks. The focus for the NORD/LB Group lies on the next 12 months.

<u>Refinancing risk</u>
Refinancing risk covers potential consequential losses incurred by the Bank due to changes in its own refinancing conditions on the money or capital markets. The refinancing risk also includes the reinvestment risk. The main cause is a change in the Bank's credit rating due to other market participants. The focus lies on the entire maturity range. By taking individual currencies into account, it also factors in spread risks from cross-currency swaps.

<u>Market liquidity risk</u>
Market liquidity risk covers potential losses incurred by the Bank when transactions must be concluded under conditions not in line with the fair market value due to limited liquidity in individual market segments. Market liquidity risks may initially result from securities positions.

Liquidity risk: strategy
The liquidity risk strategy of the Bank is geared towards the recommendations published by the EBA on effective liquidity risk management, the requirements derived from these by the Luxembourg supervisory authorities and the central bank, and the MaRisk requirements. In this area, NORD/LB CBB has implemented a liquidity substrategy within the risk strategy, a liquidity policy and a contingency function plan, which take these requirements into account.
Guaranteeing adequate liquidity to meet existing payment obligations at all times constitutes a strategic necessity for NORD/LB CBB. This applies both in normal situations and in stress situations.
Whereas the traditional liquidity risk should typically be limited by retention of adequate liquid assets (especially securities eligible for refinancing with central banks), it is permitted to take on refinancing risks by way of structural liquidity maturity transformation within defined limits.
Liquidity risk limits control the risk of an adverse impact on results from changes in liquidity spreads related to an open liquidity risk position.
In measuring the amount of the liquidity risk limits, the following factors are considered: guaranteeing adequate liquidity, risk-bearing capacity and use of opportunities for a profit contribution from the typical bank profit sources of term transformation/liquidity spreads.
In order to minimise the market liquidity risk, the Bank mainly trades on markets that exhibited adequate liquidity during the last year even in the stressful market phases. This applies in particular to all transactions in the account book. Securities holdings in the account book primarily consist of issues from top-rated issuers.
The securities held for liquidity management are mainly selected according to the criteria of top credit ratings for issuers, high accounting liquidity and eligibility for refinancing with central banks. In addition to hedging the traditional liquidity risk, securities are also held, in particular, in connection with refinancing via collateralised capital market transactions. Transparency and monitoring of the liquidity risks associated with collateral management, including collateral pool management, are provided based on quarterly reporting and analysis of asset encumbrance.
The Global Group Liquidity Policy (GGLP) defines the business policy principles for liquidity risk management in the NORD/LB Group. In addition, the individual institutions in the NORD/LB Group also have their own principles for liquidity management which constitute strategic guidelines for guaranteeing adequate liquidity. The measures for liquidity management in emergency and crisis situations are detailed in contingency plans. In addition to these, the corresponding work rules, the corresponding sections of the risk manual (of the NORD/LB Group) and the method manual of NORD/LB CBB also apply.
Risk concentrations on the liabilities side are controlled using a diversified investor base and a broad product range. The focus lies on institutional and public investors, which match the risk orientation of the bank.

Liquidity risk: structure and organisation
Management of liquidity risks involves all organisational units that actively manage liquidity risk-bearing positions and whose profit/loss are related to changes in the liquidity situation.
In terms of operations, liquidity risks within NORD/LB CBB are managed by the Financial Markets & Sales department. They also handle management of regulatory liquidity indicators, such as the liquidity coverage ratio (LCR). The ALCO supports strategic management of the liquidity risks.
In accordance with the MaRisk requirements, Risk Control is functionally and organisationally independent of the units managing liquidity risks. It performs duties related to risk assessment, control and monitoring processes and reporting within the framework of the liquidity risk management process. Verification of compliance with limits in the context of liquidity risk is a key monitoring process.
Within NORD/LB CBB, Risk Control is responsible for validation and further development of the methodology for liquidity risk measurement. In principle, the methodology provided by the NORD/LB Group should be used. Any deviations due to institution-specific circumstances must be reported to and coordinated with Finance and Risk Controlling within NORD/LB.
In the event of a liquidity crisis, the Contingency Funding Plan (CFP) crisis management team is ready to take over liquidity management in close consultation with the Board of Directors.

Liquidity risk: control and monitoring

The refinancing risk for NORD/LB CBB is controlled using present value limits and term-dependent volume structure limits which are derived from the risk-bearing capacity. The liquidity maturity perspective is also examined separately by currency.

The market liquidity risk is factored in implicitly by dividing up the securities on the funding matrix according to their market liquidity. Using a detailed securities liquidity class system, they are categorised into main classes and sub-classes based on the liquidity grades of the individual securities (e.g. according to eligibility for refinancing with central banks and ratings). Representation in the funding matrix is decided according to the liquidity class and within the maturity range between daily maturity and final maturity.

Aside from tradability, the key factor in dividing securities into liquidity classes is usability as collateral, i.e. the suitability of the securities for use as surety in repo transactions, at central banks or in covered bond collateral.

The traditional liquidity risk is primarily controlled by analysing a dynamic stress scenario. The scenario describes the most likely crisis situation and therefore essentially applies control within the guidelines arising from the statistical scenarios. The evaluation is conducted based on liquidity/cash flow and encompasses the next 12 months on a daily basis. For products without fixed liquidity maturities and for optional components (e.g. from unconditional loan commitments), the models in line with the market situation are applied, and are subject to regular validation.

The limit system is used to guarantee that excess liquidity will be available for at least three months even in stress situations. Thus, guaranteeing the ability to pay at all times in this maturity range is given preference over possible opportunities for profit. Taking profitability into consideration, the objective is to guarantee excess liquidity for at least six months in dynamic stress scenarios.

In addition to this, the dynamic stress scenario is also supplemented with other statistical stress tests. These include a NORD/LB-specific scenario, the alternative scenario of an all-encompassing liquidity crisis and a short-term scenario for a market-wide liquidity disruption.

Also from the range of regulatory liquidity indicators, the LCR undergoes daily monitoring. In the context of a prevailing ‘parallel phase’ between reporting-related (ITS) and control-related (delegated act) processing cycles, limit monitoring (traffic light system) is always conducted on the rates which are lower on the reporting date and which deviate slightly from both of these. The traffic light thresholds are associated with specific reporting and escalation processes.

Active LCR management, which includes a forecast calculation of the LCR rate for the next period (next day), is subject to regular back-testing and includes validation of forecast assumptions/management quality. According to the requirement for conservative risk management with regard to LCR compliance, a limit increase appropriate to the forecast spread is taken into account.

Risk Control supplements the required regulatory asset encumbrance reporting with an accompanying evaluation of the encumbered assets and a performance analysis. Reporting and transparency requirements following from the business model of a covered bond bank particularly serve to demonstrate and verify appropriate, risk-controlled and adequately differentiated securities holdings and their use within the collateral pool.

One risk monitoring objective to highlight here is early identification of risks. For liquidity risks, the early warning indicators are calculated, in particular, by the liquidity stress tests conducted every working day and the potential crisis trigger events and warning indicators as per the Global Group Liquidity Policy.

Funds transfer pricing (FTP) is also part of the management and control of liquidity and liquidity risks. The Group Funds Transfer Pricing Policy (the ‘Group FTP Policy’) sets out the business policy principles for the FTP system, the liquidity transfer pricing system of the NORD/LB Group. The FTP system supplements the market interest rate method and the methods, procedures and processes for determining and settling market-oriented internal transfer prices for drawdowns and provision of liquidity, and for transfer of liquidity risks between the Front Office and Treasury units.

Liquidity risk: assessment

The Bank calculates the utilisation of volume structure limits for the different maturity bands based on a funding matrix for the total position. The quantification of the liquidity risk within the framework of the risk-bearing capacity design is a result of the present value scenario for the refinancing risk. Operating limits for the present value refinancing risk and term- and currency-dependent volume structure limits are derived from this.

The liquidity maturities at the time serve as a basis for calculation of dynamic and static stress scenarios for modelling of the traditional liquidity risk. These are stressed to simulate a crisis situation. For instance, some premises applied include reduced liquidity of positions and increased draw from loan commitments. Stress scenarios can be used to simulate the impact of unexpected events on the liquidity situation at NORD/LB CBB. This enables anticipatory planning and emergency preparedness.

The aforementioned analyses take into account the critical nature of market liquidity for all securities in the portfolio. In addition to this, credit risk spreads are also taken into account for all securities when calculating market price risks. Because the spreads observed on the market reflect not only the creditworthiness of the issuer, but also the market liquidity of securities, the latter is also indirectly incorporated into the risk reporting. A separate risk measure is not used for market liquidity risks.

Risk Control uses the ABACUS/DaVinci reporting software to calculate the required regulatory liquidity indicators according to CRR (LCR, net stable funding ratio (NSFR), asset encumbrance) for NORD/LB CBB according to the currently applicable regulatory requirements.

Liquidity risk: reporting

Risk Control calculates the liquidity risk daily and submits it to the Trading department for liquidity risk management.

The head of Financial Markets & Sales and the front office management receive daily information on the traditional liquidity risk and the refinancing risk of NORD/LB CBB. In addition to this, these indicators are also included in the reporting to the Board of Directors within the framework of the daily and monthly risk reports.

The ALCO monitors the liquidity situation at NORD/LB CBB (based on the funding matrix, which incorporates all liquidity-relevant payment flows (aside from future interest and margin payments) from banking products).

For refinancing structure monitoring, a concentration report, including the funding analysis, is prepared for the Bank. Aside from the liabilities side, concentrations of off-balance-sheet liabilities are also regularly reported to the front office and the Board of Directors.

As a supplement to traditional liquidity risk management, a daily liquidity buffer report is prepared according to the MaRisk requirements. Every day, the report informs the Financial Markets & Sales department of the amount of free assets (highly liquid, unencumbered assets) which are available to serve as excess liquidity/liquidity buffer over a period of seven and/or 30 days.

External reporting to supervisory authorities (LCR, NSFR, asset encumbrance) is provided to the CSSF, on a monthly and/or quarterly basis according to the external risk control requirements, which in turn forwards it to the ECB. The LCR is also reported to the ALM/Treasury unit on a daily basis.

Reporting to the general Board of Directors is carried out within the framework of the daily/monthly risk reports. Internal reporting on asset encumbrance (including stress tests) takes place at least once a year, or as needed, within the framework of the expanded meeting of the Board of Directors.

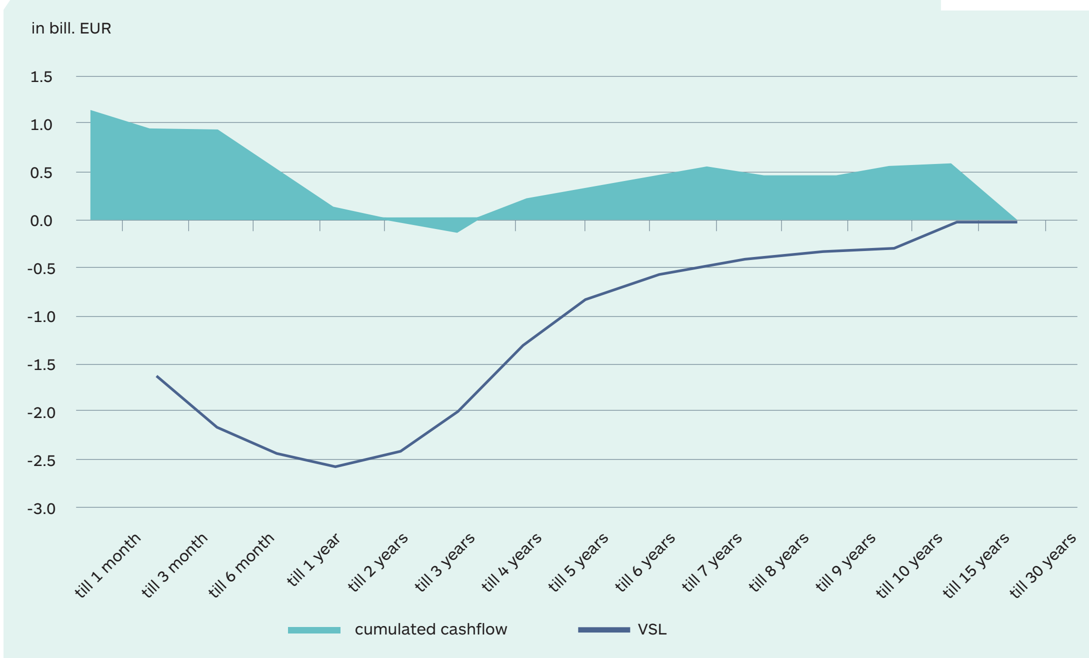
Daily LCR reporting includes daily reporting on collateral usage in the completion of collateralised capital market transactions and/or participation in open market transactions of the central bank and demonstration of the available collateral holdings. Long-Term Funding handles monitoring of the collateral values within the framework of collateral pool management, in connection with cover pool consulting.

Liquidity risk: performance in 2015

Due to the extremely low interest rates and adequate liquidity on the market, supply of short-term liquidity, in particular, was available on the market at all times throughout the financial year. In Q2 and Q4, NORD/LB CBB acquired higher volumes of long-term liquidity in the form of covered bonds. New lending business is covered in part by long-term funding from the NORD/LB Group.

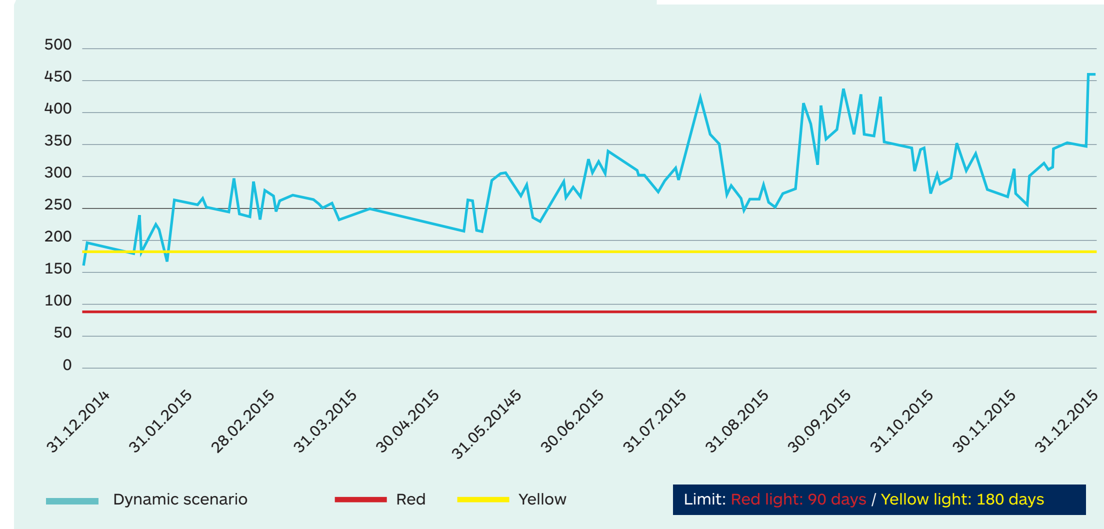
Just as before, the Bank continues to enjoy a well-balanced funding mix. Concentrations with regard to refinancing and financial institutions are due to the business strategy and local banking circumstances in Luxembourg. Transactions in the area of term deposits with corporate banking are another key component in refinancing for the Bank. In addition to this, the refinancing need in the 'over two years' segment is largely handled via NORD/LB (uncovered funding).

On the reporting date, the aggregated funding matrix used for internal refinancing risk management was as follows for NORD/LB CBB:



Liquidity maturity balance sheet of NORD/LB Luxembourg S.A. Covered Bond Bank as of 31.12.2015

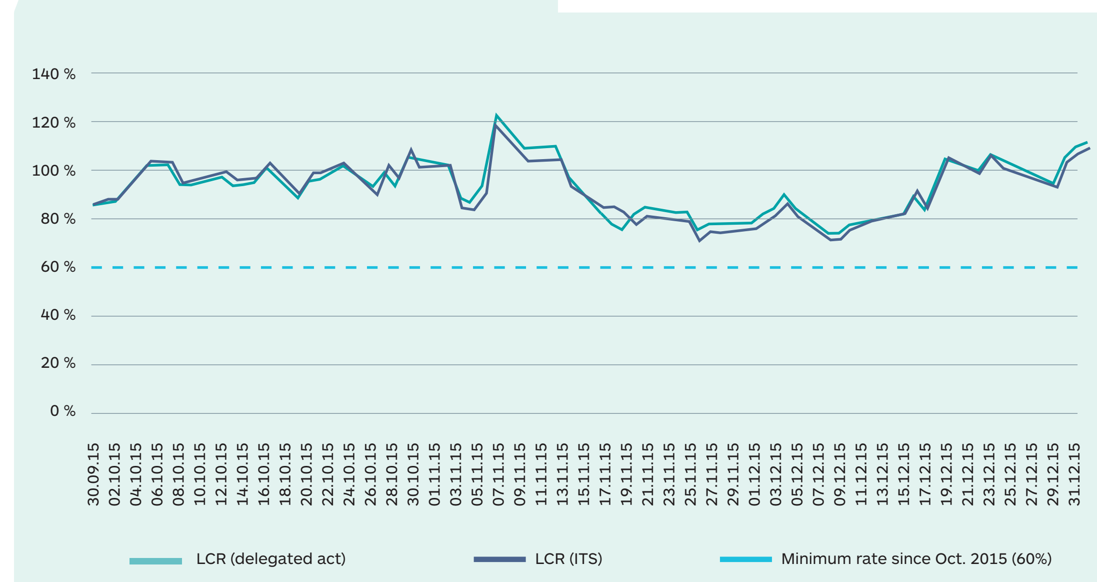
The distance to illiquidity (DTI) trend over the year in the dynamic management-relevant scenario for NORD/LB CBB is as follows:



Distance-to-Illiquidity in dynamic scenario over the course of 2015

The DTI in the dynamic scenario was greater than 160 days throughout the financial year. Yellow phases only occurred in the first month of the year and were explicitly controlled under consideration of profitability factors.

The LCR trend according to the ITS/delegated act appears as follows for NORD/LB CBB since its binding introduction on 1 October 2015:



LCR-Entwicklung (ITS) & (delegated act)

Regulatory prescriptions were observed at all times throughout the financial year.

The asset encumbrance rate, which expresses the ratio of encumbered assets to total assets, depends on the business model of the institution and, taken on its own, is only suitable as a control variable under certain conditions. As at 31 December 2015, the asset encumbrance rate for NORD/LB CBB stood at 46.11%. In line with the business model of a covered bond bank, NORD/LB CBB will further expand funding via covered bonds, resulting in a higher asset encumbrance rate in the future.

Liquidity risk: outlook

Liquidity risk management outside of the regulatory framework guarantees that the Bank is always in a position to meet its payment obligations on time and acquire refinancing resources on the market under reasonable conditions.

The Bank is primarily exposed to liquid markets and maintains a portfolio of high-quality securities.

In 2016, we expect to see a moderate increase in liquidity risks due to active liquidity management and planned lending transactions. Furthermore, with the inclusion of economic cash flows in the control cycle, the profile will draw closer to the loans priced long ago using the internal Group-wide pricing tool. In addition to this, the methods for risk measurement and the processes for reporting will undergo continuous development. In particular, the focus in 2016 will continue to be on development and expansion of methods for validation and management of regulatory prescriptions.

In the context of SREP requirements (here: internal liquidity adequacy assessment process (ILAAP)), the Bank is planning additional measures to implement integrated liquidity management.

Operational risk

Operational risks are potential and, from the Bank's perspective, unexpected events arising due to inadequacy or failure of internal processes, employees or technology or due to external causes resulting in damage or clearly negative consequences for the Bank (e.g. breach of law). This does not include strategic risks or business risks.

According to this definition, operational risks include legal risks, legal amendment risks, compliance risks, outsourcing risks, model risks, fraud risks, IT risks and vulnerabilities related to emergency and crisis management.

- The legal risk covers risk of damages due to failure to adequately heed the legal framework prescribed by the provisions of the law and case law. The legal risk only exists outside of the Bank. The legal amendment risk covers losses due to new laws or regulations, unfavourable amendments to existing laws or regulations and/or their interpretation or application by the courts.
- Compliance risk covers disciplinary penalties or penalties imposed by the courts or supervisory authorities due to non-compliance in conduct, processes, etc. (breach of the law, regulations, codes of conduct or standards) within the Bank.
- Outsourcing risk covers the outsourcing of activities and processes.
- The model risk covers potential losses incurred by an institution due to decisions which could in principle be supported by results from internal models if these models exhibit errors in design, execution or use. [1]
- Fraud risk covers other bank actions subject to penalties resulting in avoidable financial damage or damage to reputation.

1) EU Directive 2013/36/EU of 27/06/2013, Article 3(1)(11)

- Misconduct risks may arise for an institution due to the sale of unsuitable products, conflicts of interest in business relationships, manipulation of benchmarks or foreign exchange rates, impeded financial product changes and unfair handling of customer complaints.
- IT risks are all risks to the capital and earnings of the institution arising due to deficiencies with regard to IT management, IT control, availability, reliability, integrity and authenticity of data, the internal control system of the IT organisation, the IT strategy, IT guidelines or the use of information technology.

Operational risk: strategy

NORD/LB CBB strives for effective and sustainable management of operational risks, i.e. prevention or transfer, where economically prudent. Countermeasures are taken as needed if the costs for protection do not exceed the relevant immediate risk costs incurred or if reputation could be significantly impacted. Compliance with applicable statutory requirements must be guaranteed at all times.

Operational risks are taken into account in all company decisions. Fixed rules and the internal control system, along with a sound risk culture, serve to avert future damages. The sensitivity of all employees to operational risks and dealing openly with these risks both play a key role in their control. Business continuity and contingency plans serve to minimise damage during extreme unexpected events. A crisis management organisation handles extreme and unforeseeable events. Insurance policies have been taken out to actively hedge against residual risks. Overall, explicit acceptance of operational risks does not play a role in the strategy of NORD/LB CBB. This is evidenced by the small capital allocation to operational risks in the going-concern scenario (strategy stipulation: 3%).

The management of operational risks is largely decentralised and supported by a centralised methodological framework for risk identification and assessment. For real-time estimates of the risk situation, continuous analysis is conducted on a wide range of data, such as claims, risk indicators and scenarios. Where necessary, the responsible units will take appropriate countermeasures. Regular checks are performed on the adequacy and effectiveness of the internal control system.

Operational risk: structure and organisation

Risk management for operational risks is based on the concept of 'three lines of defence'. Within the set framework conditions, responsibility for control of operational risks is decentralised to the departments (first line of defence). For the second line of defence, the risk management and compliance roles have implemented downstream monitoring and control processes which are supplemented by a centralised methodological framework for risk identification and assessment and higher-level control and reporting processes. The process-specific check is conducted by Internal Auditing (third line of defence).

The NORD/LB Group applies an integrated approach to controlling operational risks, which it is continuously expanding. The goal is to achieve optimal interconnection of the processes in the second line of defence.

All levels of the hierarchy and all departments are involved in operational risk management. The Board of Directors defines the basic method of dealing with operational risks, taking into account the general risk situation for the Bank. Within the set framework conditions, responsibility for control of operational risks is decentralised to the individual departments.

NORD/LB CBB has a security strategy and uniform standards to protect the Bank from damages in an effective and lasting manner. This also satisfies statutory and regulatory requirements. By means of an integrated business continuity and resumption plan, focusing on time-critical activities and processes, the emergency management measures guarantee adequate emergency operations and resumption of normal operations as soon as possible. The higher-level contingency and crisis organisation also guarantees communications and decision-taking capacity during escalating emergency situations and crises. The strategic and conceptual tasks for security, emergency and crisis management are bundled into the roles of emergency manager and Information Security Officer ('RSSI').

Risk Control, where the Bank's OpRisk Manager also works, is responsible for centralised monitoring of operational risks and independent reporting. The Finance and Risk Controlling department at NORD/LB is responsible for defining methods for further development of Group-wide tools for controlling operational risks. Risk Control is involved in the further development of the methods through method board meetings held regularly at NORD/LB Group level and ongoing informal exchanges with the experts at NORD/LB. Risk Control is responsible for proper implementation of centralised methods and playing a coordinating role in the implementation of decentralised methods at NORD/LB CBB.

Compliance has been organised as one of the units that is independent of the business sectors. In a process-integrated manner, it ensures that the Bank has adequate principles and procedures in place to ensure compliance with the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz) and to prevent money laundering, the financing of terrorism and other criminal activities. Internal Auditing is tasked with independent verification of proper implementation and carrying out of the methods and procedures.

Operational risk: control and monitoring

The Bank has suitable framework conditions in the form of technical and organisational measures, contractual provisions and work instructions to minimise operational risks in its workflows. This includes contingency planning and adequate insurance cover. The sensitivity of all employees to risks in general plays a key role in controlling operational risks in day-to-day business. The Bank uses control and monitoring measures to ensure adherence to applicable rules and standards and compliance by the Bank.

Within the framework of integrated OpRisk management, the Bank has set up what is known as the Lux Risk Committee (LRC), a centralised committee at the management level that provides a platform to discuss significant OpRisk matters and methodological issues. This focuses on operational risks, including process, IT, personnel, legal, outsourcing and compliance risks, as well as security and emergency management. The LRC is intended to provide transparency beyond the limits of individual departments in the second line of defence and enable overarching control methodology.

Structural and process organisation risks are controlled with appropriate structural and process organisations. If weaknesses are identified in the organisation, suitable countermeasures are implemented immediately. The structures of the Internal Control System (ICS) are intended to support this and permanently guarantee regulated interaction of all control processes for departments involved in operational risks.

The ICS framework implemented for this, which is uniform for all risk-relevant companies in the NORD/LB Group, is geared towards the framework of the Committee of Sponsoring Organizations of the Treadway Commission (the COSO) for internal controlling and includes special structural and process organisations. Application of standardised methods and procedures is intended to guarantee an ICS that is adequate and effective and strives for continuous optimisation throughout the Bank.

Security and contingency plans are in place for the protection of personnel and property, governing areas such as building usage, procurement of replacement fixtures and furnishings and energy consumption. Protection of employee health takes top priority. For instance, extensive preventive measures have been taken to prepare for a pandemic.

Permanently adequate staffing in terms of both quality and quantity minimises personnel risk. In this process, the Bank dedicates special attention to employee qualifications: the qualification status is verified using a system of requirement profiles and employee evaluations. This way, personnel development measures can be triggered in a targeted manner.

The NORD/LB Group has established extensive protection and prevention measures to protect against criminal activities, money laundering, financing of terrorism and other compliance risks. These are subject to continuous verification during control and monitoring activities and further development based on institution-specific risk analyses. If any significant deficiencies are detected, corrective measures are initiated and their implementation is monitored.

In cases of indications of serious fraud, an ad hoc committee at the management level will decide how to proceed. Employees are provided with in-person and online training to sensitise them to current risks, and with regular newsletters and ad hoc notifications to inform them of such risks.

A whistle-blower system is in place to allow employees and customers to disclose information confidentially.

In the area of IT, procedural instructions, replacement capacities and backups ensure adequate stability in the IT infrastructure. Security and contingency plans supplement the preventive measures to minimise damages from failure of or tampering with applications and information. The plans are tested and updated regularly. To control the risk of failure of the internal data centre at the Bank's headquarters, a second, off-site data centre exists.

To protect against legal risks, the Legal department of the Bank is called in when implementing statutory measures and concluding agreements not based on approved templates, among other occasions. To ensure proper implementation of new bank supervision requirements, Compliance provides company-wide proof and informs the affected units of the required actions derived from the new rules.

The quality of external suppliers and service providers is guaranteed by concluding service level agreements or detailed specifications and by subsequent verification of associated indicators. For implementation of MaRisk requirements on outsourcing, a process has been put in place to assess service providers for risk materiality. For each instance of material outsourcing, a responsible party has been appointed to handle service and risk management for the business relationship. The Bank has adequate insurance cover. To protect against legal risks, the Legal department of the Bank is called in when implementing statutory measures and concluding agreements, among other occasions. Natural disasters and terror attacks are defined as acts of force majeure. These risks are controlled using contingency plans and a disaster recovery centre.

Operational risk: assessment

The NORD/LB Group records damages from operational risks in a claim database. A minimum claim limit of EUR 1,000 applies. NORD/LB CBB is included in these claim records. The data from the claim database provides the starting point for analyses to support risk management and constitutes a key building block in the statistical/mathematical risk model developed by NORD/LB.

The claims recorded are exchanged in anonymised form with other institutions in the OpRisk data consortium (the 'DakOR'). The consortium data supplements the basic data used for the internal model. In addition to this, information is also available from the OpRisk public claims database (the 'ÖffSchOR'), which records, structures and prepares press releases on major losses from operational risks. Both data sources are used in scenario analyses and for regular benchmarking.

By means of the risk assessment method used in the Bank and Group-wide, past claims records are supplemented with future components. Expert estimates of the impacts of specific scenarios are used to extract detailed insights into risk situations in individual business units and derive targeted measures. Scenarios and scope are selected based on the analysis of different data sources (e.g. claims, audit reports) in a risk-oriented manner. The results serve as input for the internal model, thus increasing measurement accuracy.

In order to identify potential risks early on and control them with countermeasures, the NORD/LB Group uses risk indicators. The choice of indicators is risk-oriented and checked regularly to ensure that it is up to date. Moreover, the causes of risks must be identified and risk concentrations must be prevented by means of continuous and comparative analysis of claims, risk indicators and scenarios. Methods have also been implemented for risk indicators in NORD/LB CBB. The design of the indicator system is geared towards the NORD/LB Group, taking into account the institution-specific circumstances.

The NORD/LB Group has an internal model to measure the operational risk. A loss distribution approach is applied here, taking into account aspects of the extreme value theory. The distribution parameters are calculated based on internal data, scenario analyses and external data from the DakOR consortium. Correlation effects are modelled using a Gaussian copula. Risk indicators in the warning range are expressed as model increases. The value at risk calculated by the model is used as an internal control variable for operational risks in the risk-bearing capacity model.

To distribute the model results to the individual institutions, an allocation procedure is used that combines variable indicators with risk-sensitive elements. The parameterisation of the model is regularly subjected to extensive validation and stress testing.

The methods and procedures in place at NORD/LB CBB meet the regulatory requirements for use of the standardised approach for operational risks. This approach is used to calculate the risk-weighted sum for the operational risk in the financial year.

The internal model of the NORD/LB Group used for overall management of the Bank and to calculate the risk-bearing capacity meets the most stringent requirements of the CRR for an advanced measurement approach.

Operational risk: reporting

The reporting described below is particularly important to the control and monitoring of operational risks at NORD/LB CBB.

The continuous risk management process analyses the results from claims records and risk indicators and submits them to the Board of Directors during the LRC meeting (at least six times a year). This enables the Board of Directors to decide whether to take measures to eliminate causes or control risks and if so, which ones. All risks are assessed based on a risk matrix applicable for the Bank as a whole and are incorporated into the risk reporting for the Bank. Results are submitted to the Board of Directors in LRC meetings and/or reported as needed in the case of matters that are essential in terms of risk.

The reporting across all risk types for risk-bearing capacity draws information from the claims database, the risk assessment and the model for operational risks.

The Board of Directors and the Supervisory Board receive information at least annually on material results related to the adequacy and effectiveness of the internal control system and analyses from the Compliance department.

Operational risk: performance in 2015

With the introduction of the integrated self-assessment (risk survey for the OpRisk, ICS and Compliance departments), 2015 saw a major step towards integrated management of operational risks at NORD/LB CBB. The objective was to achieve optimal integration and management of the operational risks in the second line of defence within the internal control system by means of close collaboration between the Compliance, Security, ICS, Emergency Management and OpRisk Management departments.

As at 31 December 2015, the risk exposure for operational risk came to EUR 2.8 million according to the internal model (confidence level 95%, holding time one year).

For NORD/LB CBB, a total of 12 (previous year: seven) claims greater than KEUR 1 were reported in the financial year, with all claims totalling EUR 1.2 million (previous year: EUR 0.1 million). In addition, provisions in the amount of EUR 11.8 million were accrued for other ongoing legal proceedings. (See also the comments under Note (24) Other operating result and the foreword from the Board of Directors).

Operational risk: outlook

In 2016, we will continue down the path towards integrated OpRisk Management with support from Risk Control. The existing cooperation within the second line of defence will be further developed and integrated.

Other risks

No other risks have been identified as material aside from the aforementioned credit, market price, liquidity and operational risks. The risks that have been identified as immaterial that are relevant to the Bank include the business and strategy risk (including group risk), reputation risk, syndication risk, real estate risk and pension risk.

The business and strategy risk covers unexpected negative business developments, particularly those resulting from changes in customer behaviour and/or competitive position, from business strategy decisions on the orientation of the Bank, including introduction of new products and entry into new markets, or from changes in the macroeconomic environment in which the institution operates. This does not take into account risks already falling under other risk types.

The group risk (as part of the business and strategy risk) covers services required due to participation in the guarantee systems for the finance sector which may have an adverse impact on the Bank's business developments.

The reputation risk covers serious or persistent damages incurred by the Bank due to a loss of trust amongst customers, business partners, employees, institutions or public authorities.

The syndication risk covers the lack of availability of syndicate/consortium partners for planned consortium transactions, resulting in the Bank retaining the risks or having to place the transaction at unexpectedly high markdowns.

The real estate risk covers negative value changes in the company's real estate. Potential causes of negative value changes may come from the object itself (e.g. wear and tear), a decline in the attractiveness of the real estate location or external causes (e.g. fire, explosion, flooding).

Pension risks may arise both on the asset side and on the liabilities side (pension liabilities). Market price changes, particularly changes in the general interest rate, are a key factor influencing pension risks. In addition, on the liabilities side, risks may arise from negative deviations between economic assumptions and actual trends, such as with regard to life expectancy, wage and benefit trends.

The Bank is subject to risks from services for third parties ('DfD'). The Bank uses DfD to mean all its activities and processes carried out for third parties, regardless of whether they are relevant to the performance of bank operations, financial services or other typical services in the institution. The tasks and responsibilities related to initiation, continuous monitoring and termination of services for third parties are set down in written rules (guidelines, processes, forms) and integrated into the internal control system of the Bank (key controls). The implemented DfD process is intended to guarantee adequate consideration of business policy, economic, legal and risk aspects and adequate monitoring and risk management in the provision of services. The operational control and monitoring of services provided is handled in the business units by decentralised, operational sourcing managers. The central sourcing manager applies higher-level key controls in the process, drafts semi-annual management reports and gives regular reports at LRC meetings. Those responsible for internal controlling approve the materiality assessment of the individual services and collaborate in the specification of control and monitoring measures.

The other risks are addressed in the regular LRC meetings. In this context, discussions are held with the relevant experts in the different risk types regarding the current state of affairs, and reports are given. Where needed, control measures are defined.

Within the Bank, the relevant business units are directly responsible for minimising the risks. The Bank's compliance charter details the defined tasks and responsibilities.

As a general rule, a qualitative risk assessment for other risks is conducted during the risk assessments, or a panel of experts will hold a discussion on management of other risks. The findings of the analyses are used by risk managers and help shape their activities.

Calculation of the risk-bearing capacity includes quantitative consideration of other risks, as these are largely taken into account indirectly via the material risks. In addition, some of the overall risk provisions are explicitly set aside as a buffer, which also serves to hedge against risk contributions from immaterial risks.

Summary and outlook

The Bank has adequately accounted for all known risks by taking precautionary measures. Suitable tools are in place for early detection of risks.
The utilisation calculated in the risk-bearing capacity model shows that risk coverage was available at all times throughout the reporting period. In the estimation of the Bank, there are currently no risks to the company as a going concern.

In 2015, NORD/LB CBB was in compliance with the applicable regulatory prescriptions on equity and liquidity at all times.
The methods and processes currently used to control material risks are subject to continuous monitoring and refinement as needed. The specific further developments planned for the risk types in 2016 are discussed in the relevant sections above.

Personnel report

Workforce
The workforce at NORD/LB CBB, compared to the NORD/LB Luxembourg Group, has developed as follows during the financial year:

Reporting date	31/12/2015	31/12/2014	Change (absolute)	Difference (in %)
NORD/LB CBB	177	174*	3	2
Skandifinanz AG	0	1	–1	–100
Galimondo S.à r.l.	0	0	0	-
Total employees	**177**	**175**	**2**	**1**

*) The workforce of NORD/LB CBB as at 31/12/2014 corresponds to the combined total of the workforces of both predecessor institutes, NORD/LB Luxembourg and NORD/LB CFB, as at this reporting date.

The Board of Directors and Supervisory Board particularly wish to recognise the efforts of all employees towards the satisfactory business performance achieved in the financial year 2015. The success of the Bank is highly dependent on the professionalism and expertise of its employees. The Board of Directors and Supervisory Board therefore extend their thanks for the outstanding commitment and motivation shown by all employees, and not least for their trustworthy cooperation.

The further development and qualification of the workforce is of great importance for the Bank. A flat organisational command structure allows quick reaction times, which are absolutely necessary for continued success in a dynamic environment. With its performance-linked pay, complemented by corresponding employee benefits, as well as the promotion of an innovative and dynamic team culture, the Bank has created a work environment that is consistently motivational and constructive, where the potential of its employees can be fully realised.

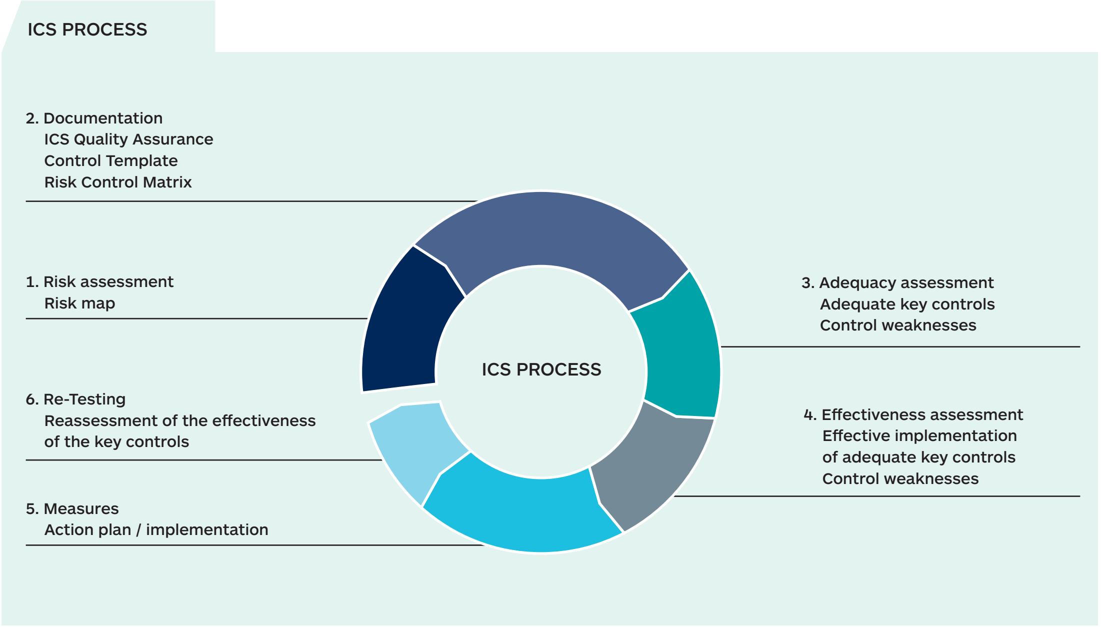
Internal checks and risk management within the context of compiling financial data and organisation

Definition and objective
The objective of the internal control and risk management system, with regards to compiling financial reports, is that the annual accounts should offer an impression of the asset, finance and revenue situation of NORD/LB CBB that truthfully reflects the facts, and that is compiled in accordance with the accounting provisions of the International Financial Reporting Standards as they are to be applied within the European Union. The term Internal Control System ('ICS') is used hereafter.
The aim of compiling orderly financial reports is threatened by the existence of risks which can have an effect on financial reporting. Risks here include the possibility that the objective stated above will not be achieved, and that significant information in the financial reporting might be erroneous. The Bank classifies information as significant if the absence or incorrectness of such information could influence the financial decisions of the addressees. No distinction is made here between individually or cumulatively significant facts.

Financial reporting risks may arise from errors in business processes. Fraudulent behaviour can also lead to erroneous information being stated. The Bank shall therefore ensure that the risks regarding erroneous depiction, evaluation or identification of information in financial reporting is minimised.
The Bank's ICS is aimed at guaranteeing sufficient security regarding adherence to legally applicable standards, the orderliness and economic viability of the transaction, and the completeness and correctness of the financial reporting.
In this context, it is to be taken into consideration that the methods and processes of the ICS implemented can never offer absolute security despite all measures taken by the Bank. This security is nevertheless sufficient. There were no significant changes to the financial reporting ICS after the balance sheet reporting date.

Overview of the Internal Control System (ICS)

The ICS in NORD/LB CBB is based on the method of the ICS control loop, which is uniform across the Group. This guarantees a uniform approach to assessing the ICS based on key checks.



The existing controls are identified via the process entry or process documentation. Each key check is evaluated with regards to its control objectives (appropriateness) and is tested for its effectiveness. Measures for resolving weaknesses in controlling are drawn up and monitored by the ICS employees for possible gaps in controlling. Optimised controls are then tested for their appropriateness and effectiveness.

The Bank's ICS is based on the standards of the banking authorities (the ECB in conjunction with the CSSF), is essentially defined by the updated Circular 12/552 and stipulates the following four control levels:

- Daily checks by responsible staff members
- Constant critical checks by persons entrusted with administrative processing of transactions
- Checks that the members of the approved Board of Directors carry out regarding the business activities or functions falling under their direct responsibility
- Checks performed using internal control functions

The organisational structure of the Bank is set out in an organisational chart that was compiled based on the principle of separation of functions. Operative separation in line management is performed by the responsible manager within each sector on the basis of an individual delegation to ensure a separation of functions. The Boards of Directors represent each other mutually in the area of Board Support Functions.

Process organisation is governed in the fixed written system. This is continuously monitored and adjusted with regards to changes in the markets, changes to work processes and changes to external regulations. Core components of this are organisational charts, guidelines, descriptions of processes, forms and written informational material. These obligatory documents are summarised in the Bank's organisational handbook.

Significant business transactions are processed according to the dual control principle. The required separation of functions in the business processes is also guaranteed from a technical data processing perspective. The personnel and technical layout is adjusted to suit the scope and nature of the transaction.

Risk Control department

The Risk Control department is responsible for anticipating, identifying, measuring, tracing, monitoring and disclosing all risks which the institute is or could be exposed to. The results of this activity lead to an annual report compiled by the Risk Control department for the Board of Directors and Supervisory Board.

Compliance department

The Compliance department performs its activities pursuant to a control plan approved by the Board of Directors. The employees in Compliance keep the Board of Directors regularly informed of the checks performed and the results of these.

Internal Auditing

The Bank has an Internal Auditing department whose aims, functions, tasks and position within the organisation of the Bank are defined by the Board of Directors in an audit charter. The Internal Auditing department continuously reports to the Board of Directors on any inspection carried out and on the findings of such inspections. The implementation of measures required to resolve faults identified is monitored by the Internal Auditing department.

Sustainability report

Sustainability report

Our belief

NORD/LB Luxembourg decided to set up a sustainability management department in 2013. It was in that year that the sustainability management employees also began their work. The work here is oriented to the stipulations of the Group.

The corporate success of NORD/LB CBB is only possible in the long term in a stable natural environment, and only in a company with balanced financial and social relationships. This understanding shapes the strategic orientation of NORD/LB CBB, as well as the nature of our business model. At the same time, it makes an important contribution to harmonising our daily activities with the demands of our interest groups. An approach to work that is oriented to high demands is therefore an important part of our ability to operate in future – in the interests of company success and as part of the responsibility we have to our customers, employees, the environment and society.

Sustainability as a strategic factor

The sustainability strategy defines the basic orientation of our actions. Focal points in individual areas of activity are documented here alongside concrete objectives we wish to implement by 2020. We regularly inform our interest groups of the results of our sustainability activities via our website.

Governance

Acting with integrity is an essential part of responsible corporate management for us. It also helps to consistently strengthen the trust all interest groups have in NORD/LB CBB. Our working guidelines include commitment declarations that expand business actions to include environmental, social and ethical aspects.

Customers

We want to actively help our customers prepare for the future. In this context, we help them to utilise opportunities and minimise possible risks that result from sustainable development and global change. This increases customer satisfaction and ensures customer loyalty to NORD/LB CBB in the form of long-lasting partnerships.

Employees

We create conditions for our employees to unleash their potential – for their own benefit and for that of our customers and the Bank. This includes offers of professional and personal development and the opportunity to balance work and family, as well as a healthy and discrimination-free environment that people enjoy working in.

Environment

Active internal environmental protection is an important component of the way we act and of our corporate responsibility practices. We reduce the environmental impact of our operations with various measures, and decrease our energy and resource costs, thereby unburdening not just the environment, but our company balance sheet as well. We make use of modern technologies like solar power for this purpose.

Society

We are committed to improving the living conditions of people within our sphere of influence, and at the same time work towards future-proofing our corporate environment. Training bankers is just as important here as the support of social institutions and initiatives. The Bank supports social organisations and institutions, as well as cultural associations and unions, with cash and material donations. In future, we will report on current measures, our aims and future points of focus via our website.

Supplementary report

No significant events occurred between the balance sheet reporting date of 31 December 2015 and the time the Board of Directors compiled the annual accounts presented here on 29 February 2016.

Forward-looking statements

This report contains forward-looking statements. These can be recognised by terms such as ‘expect’, ‘intend’, ‘plan’, ‘strive’ and ‘estimate’ and are based on current plans and estimations. The statements include uncertainties since a number of factors that affect business are outside the sphere of influence of NORD/LB Luxembourg S.A. Covered Bond Bank. This includes, above all, developments on the financial markets, as well as changes to interest rates and market prices. Actual results and developments may deviate significantly from the statements made here today. NORD/LB Luxembourg S.A. Covered Bond Bank assumes no responsibility, nor does it intend to update the forward-looking statements or make corrections in case of a development deviating from what is expected.

Luxembourg, 29 February 2016

Christian Veit
CEO
Chairman of the Board of Directors
Sprecher des Vorstands
NORD/LB Luxembourg S.A. Covered Bond Bank

Thorsten Schmidt
Deputy CEO
Member of the Board of Directors
Mitglied des Vorstands
NORD/LB Luxembourg S.A. Covered Bond Bank

Annual accounts ("Financial statements")

Annual accounts (“Financial statements")

For technical reasons, the following tables may contain rounding differences.
The appendix below is an integral component of the annual accounts.

Profit and loss account

NORD/LB CBB for the reporting year from 1 January 2015 to 31 December 2015 compared to the NORD/LB Luxembourg Group for the financial year from 1 January 2014 to 31 December 2014:

	Notes	2015 (KEUR)	2014* (KEUR)	Before change of account presentation 2014 (KEUR)
Net interest income and current income	**(17)**	**93,316**	**103,841**	**92,134**
Interest income and current income		588,042	593,808	570,588
Interest expense		–494,726	–489,967	–478,454
Loan loss provisions	**(18)**	**–1,155**	**9,160**	**9,160**
Net commission income	**(19)**	**–23,406**	**–17,539**	**–17,539**
Commission income		18,365	19,519	19,519
Commission expense		–41,771	–37,057	–37,057
Profit/loss from financial instruments stated at fair value affecting net income	**(20)**	**–2,480**	**–13,979**	**–2,272**
Trading profit/loss		379	–69,582	–67,467
Result from fair-value option		–2,860	55,603	65,195
Result from hedge accounting	**(21)**	**11,325**	**3,529**	**3,529**
Result from financial investments	**(22)**	**9,845**	**4,153**	**4,153**
Administrative expenses	**(23)**	**–44,090**	**–43,212**	**–43,212**
Personnel expenses		–21,882	–22,727	–22,727
Other administrative expenses		–18,623	–16,977	–16,977
Depreciation on property, plant and equipment		–1,846	–2,056	–2,056
Depreciation on intangible assets		–1,739	–1,452	–1,452
Other operating result	**(24)**	**–810**	**–2,164**	**–2,164**
Result from continued business sectors before income taxes		**42,546**	**43,789**	**43,789**
Income taxes	**(25)**	**–10,444**	**–7,285**	**–7,285**
Result from continued business sectors after income taxes		**32,102**	**36,504**	**36,504**
Result from abandoned business sectors after income taxes	**(26)**	**0**	**1,111**	**1,111**
Annual surplus		**32,102**	**37,615**	**37,615**
of which shareholders entitled to		32,102	37,615	37,615
of which not allocatable to majority shares		0	0	0

*) The previous year’s figures are adjusted values. Compare Note (2) Adjustment of previous year’s figures.
The following notes are an integral part of the annual accounts.

Statement of income and accumulated earnings

The total income for 2015 for NORD/LB CBB is composed of the income and expenses in the profit and loss account and those recorded directly in equity.

NORD/LB CBB for the reporting year from 1 January to 31 December 2015 compared to the NORD/LB Luxembourg Group for the financial year from 1 January 2014 to 31 December 2014:

	2015 (KEUR)	2014 (KEUR)
Annual surplus	**32,102**	**37,615**
Other profit	**–2,106**	**26,828**
Other profit that is not subdivided into profit and loss account	**116**	**–1,124**
Re-evaluation of net liabilities from performance-based pension plans	164	–1,591
Deferred taxes	–48	467
Other profit that is subdivided into profit and loss account	**–2,222**	**27,951**
Changes from AfS financial instruments	–3,139	48,408
Unrealised profits/losses	6,653	48,081
Reclassification based on profit/loss realisations	–9,792	327
Conversion differences for foreign business units	0	–6,312
Unrealised profits/losses	0	0
Reclassification based on profit/loss realisations	0	–6,312
Deferred taxes	917	–14,145
Total profit for year	**29,996**	**64,443**
of which shareholders entitled to	29,996	64,443
of which not allocatable to majority shares	0	0

The following notes are an integral part of the annual accounts.

Balance sheet

NORD/LB CBB, for the reporting date of 31 December 2015 compared to the NORD/LB Luxembourg Group for the reporting date of 31 December 2014:

Assets	Notes	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Cash reserve	(27)	84.1	2.5
Loans and advances to banks	(28)	1,510.0	1,398.8
Loans and advances to customers	(29)	6,768.8	6,199.1
Risk provision	(30)	–39.9	–37.1
Financial assets measured at fair value through profit and loss	(31)	1,287.0	1,336.5
Derivatives – fair values from hedge accounting	(32)	290.4	360.2
Financial investments	(33)	5,846.2	7,313.5
Property, plant and equipment	(34)	67.3	68.9
Intangible assets	(35)	14.1	11.2
Assets available for sale	(36)	0.0	12.2
Current income tax assets	(37)	0.1	0.0
Deferred income tax assets	(37)	1.0	15.3
Other assets	(38)	2.7	2.6
Total assets		**15,831.8**	**16,683.7**

Liabilities	Notes	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Liabilities to banks	(39)	7,626.4	8,908.2
Liabilities to customers	(40)	3,221.4	3,139.4
Securitised liabilities	(41)	3,114.2	2,650.6
Financial liabilities measured at fair value through profit and loss	(42)	204.6	178.4
Derivatives – fair values from hedge accounting	(43)	791.8	916.4
Provisions	(44)	22.0	10.0
Current income tax liabilities	(45)	3.9	0.5
Deferred income tax liabilities	(45)	11.5	27.5
Other liabilities	(46)	20.9	19.4
Subordinated capital	(47)	114.9	103.0
Equity		700.3	730.0
Nominal capital		205.0	205.0
Capital reserves		0.0	0.0
Revenue reserves		480.5	508.0
Revaluation reserve		14.8	17.0
Currency translation reserve		0.0	0.0
Total equity	(49)	700.3	730.0
Equity attributable to shareholders		700.3	730.0
Equity attributable to shares without controlling influence		0.0	0.0
Total liabilities		15,831.8	16,683.7

The following notes are an integral part of the annual accounts.

Cash flow statement

NORD/LB CBB for the reporting year from 1 January to 31 December 2015 compared to the NORD/LB Luxembourg Group for the financial year from 1 January 2014 to 31 December 2014:

	2015 (in millions of EUR)	2014 (in millions of EUR.)
Annual result before taxes	**42.5**	**45.4**
Corrected by non-cash posts		
Depreciation, value adjustments and write-ups of property, plant and equipment, write-downs, value adjustments and write-ups of financial investments	5.3	6.8
Changes in provisions	12.8	1.3
Gains/losses from the disposal of property, plant and equipment and financial investments	–9.1	–23.4
Change to other non-cash items	–1.0	19.1
Interest income	–93.3	–92.8
Other adjustments (on balance)	–0.2	–1.9
Sub-total	**–43.1**	**–45.6**
Changes to assets and liabilities from operating activities after correction for non-cash components		
Loans and advances to banks and customers	–652.7	–310.4
Other assets and liabilities from operating activities	44.2	–1,367.8
Liabilities to banks and customers	–1,222.0	–824.4
Securitised liabilities	446.1	363.9
Interest received	636.3	502.5
Dividends received	0.0	0.2
Interest paid	–591.0	–372.0
Income tax payments	–4.3	–6.5
Cash flow from operating activities	**–1,386.6**	**–2,060.3**

	2015 (in millions of EUR)	2014 (in millions of EUR.)
Cash receipts from the disposal of		
Financial investments	1,776.6	3,206.5
Property, plant and equipment and intangible assets	8.1	0.0
Cash payments for the acquisition of		
Financial investments	–273.1	–1,161.6
Property, plant and equipment and intangible assets	–12.9	–3.5
Increase/decrease in funds from other investment activities (on balance)	0.0	0.0
Cash flow from investment activities	**1,498.6**	**2,041.4**
Cash receipts from equity contributions	0.0	0.0
Fund changes from other capital	0.0	–3.9
Interest expenses on subordinated capital	–0.4	–0.5
Dividends/disbursements paid	–30.0	–30.0
Cash flow from financing activities	**–30.4**	**–34.4**
Cash and cash equivalents at end of previous year	**2.5**	**55.7**
Cash flow from operating activities	–1,386.6	–2,060.3
Cash flow from investment activities	1,498.6	2,041.4
Cash flow from financing activities	–30.4	–34.4
Total cash flow	81.7	–53.3
Effects of exchange rate differences and changes in the basis of consolidation	0.0	0.0
Cash and cash equivalents at end of reporting year	**84.1**	**2.5**

The following notes are an integral part of the annual accounts.

Statement of changes in equity

NORD/LB CBB for the reporting year from 1 January to 31 December 2015:

in millions of EUR	Nominal capital	Capital reserve	Revenue reserves	Revaluation reserve	Currency translation reserve	Equity before shares without controlling influence	Shares without controlling influence	Equity
Equity as at 01/01/2014	**205.0**	**0.0**	**504.5**	**–17.2**	**6.3**	**698.6**	**0.0**	**698.6**
Annual surplus	0.0	0.0	37.6	0.0	0.0	37.6	0.0	37.6
Changes from AfS financial instruments	0.0	0.0	0.0	48.4	0.0	48.4	0.0	48.4
Revaluation of net liabilities from performance-based pension plans	0.0	0.0	–1.6	0.0	0.0	–1.6	0.0	–1.6
Deferred taxes	0.0	0.0	0.5	–14.1	0.0	–13.7	0.0	–13.7
Currency translation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total result for period	**0.0**	**0.0**	**36.5**	**34.3**	**0.0**	**70.8**	**0.0**	**70.8**
Distribution	0.0	0.0	–30.0	0.0	0.0	–30.0	0.0	–30.0
Change to capital payments in and out	0.0	0.0	–3.0	0.0	0.0	–3.0	0.0	–3.0
Changes to the basis of consolidation	0.0	0.0	0.0	0.0	–6.3	–6.3	0.0	–6.3
Equity as at 31/12/2014	**205.0**	**0.0**	**508.0**	**17.0**	**0.0**	**730.1**	**0.0**	**730.1**
Merger effects*	**0.0**	**0.0**	**–29.7**	**0.0**	**0.0**	**–29.7**	**0.0**	**–29.7**
Equity as at 01/01/2015	**205.0**	**0.0**	**478.3**	**17.0**	**0.0**	**700.3**	**0.0**	**700.3**
Annual surplus	0.0	0.0	32.1	0.0	0.0	32.1	0.0	32.1
Changes from AfS financial instruments	0.0	0.0	0.0	–3.1	0.0	–3.1	0.0	–3.1
Revaluation of net liabilities from performance-based pension plans	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.1
Deferred taxes	0.0	0.0	0.0	0.9	0.0	0.9	0.0	0.9
Currency translation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total result for period	**0.0**	**0.0**	**32.2**	**–2.2**	**0.0**	**30.0**	**0.0**	**30.0**
Distribution	0.0	0.0	–30.0	0.0	0.0	–30.0	0.0	–30.0
Change to capital payments in and out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes to the basis of consolidation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity as at 31/12/2015	**205.0**	**0.0**	**480.5**	**14.8**	**0.0**	**700.3**	**0.0**	**700.3**

*) The portion of the merger effect that affects net income, totalling EUR 14.0 million, is included in the total result for period.
The following notes are an integral part of the annual accounts.

Appendix (Notes)

Appendix (notes)

Accounting policies

(1) Principles for the preparation of the annual accounts

The annual accounts of NORD/LB CBB as at 31 December 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). Crucial in this were those standards which had been published at the time of compiling the statement, and which have been accepted by the European Union (Note (4) Applied and new IFRS).

The accounts as at 31 December 2015 take into consideration the national stipulations of the law of 17 June 1992 regarding the annual accounts of financial institutions under Luxembourg law in its most recent wording. The accounts as at 31 December 2015 incorporate the profit and loss account, the statement of income and accumulated earnings, the balance sheet, the cash flow statement, the statement on changes in equity, and the appendix (Notes). Segment reporting is contained within the appendix. Risk reporting pursuant to IFRS 7 is in essence performed within the framework of a separate report on the chances and risks of future developments (risk report) as a component of the management report.

The evaluation of assets is in principle performed under procurement costs carried forward. Those financial instruments according to IAS 39 which are evaluated at fair value are excluded. The accounting was carried out under the assumption of a 'going concern'. Income and expenses were demarcated p.r.t. These are recorded and documented in that period to which they can be financially assigned. The core accounting policies are described below.

The reporting and functional currency of the statement is the euro. All amounts are stated as rounded figures in millions of EUR according to standard commercial practice, unless otherwise indicated. Percentile deviations relate to unrounded amounts.

(2) Adjustment of previous year's figures

The previous year's figures have been corrected in these accounts on the basis of IAS 8.42. The interest expenses and interest income from securities in the categories dFV and HfT, as well as from derivatives outside of hedge accounting, were in the past set out in the result separate from financial instruments stated at fair value affecting net income. In these annual accounts as at 31 December 2015, the Bank has retrospectively adjusted the accounts regarding the interest named from 1 January 2015, and now documents this under net interest income. In this way, the Bank has adjusted to match the method of presentation selected by the NORD/LB Group.

Overall, a total of KEUR 11,707 was documented in the annual accounts as at 31 December 2014 under result, separate from financial instruments stated at fair value affecting net income. Due to the adjustment of the previous year's figures, this amount shall henceforth be shown under net interest income. The amount can be split into the following individual posts for both financial years:

	2015 (KEUR)	2014 (KEUR)
Interest income from securities in category dFV	13,699	9,592
Interest income from securities in category HfT	592	1,993
Interest income from derivatives outside of hedge accounting	10,079	11,635
Total interest income	**24,370**	**23,220**
Interest expenses from derivatives outside of hedge accounting	–10,421	–11,513
Total interest expenses	**–10,421**	**–11,513**
Total net interest income	**13,950**	**11,707**

The respective adjustments were also taken into consideration in the following notes: Note (15) Classification of NORD/LB CBB or NORD/LB Luxembourg by business segment, Note (17) Net interest income and current income and Note (20) Profit/loss from financial instruments stated at fair value affecting net income.

(3) Discretionary decisions, estimations and assumptions

The estimations and judgements required from the management within the context of balancing accounts according to IFRS are made in accordance with the respective standard. These are regularly revised and are based on experience and other factors, including expectations regarding future events which will logically occur under the given circumstances. If estimations were necessary to a great extent, the significant assumptions made will be described. The estimations and judgements themselves, as well as the judgement factors and estimation processes used as a basis, are monitored and compared with actual events. The parameters used are appropriate and justifiable. Amendments to estimations, provided these affect just one period, are only taken into consideration in this period, or are taken into consideration in this and the following periods accordingly if the change affects the current and following reporting periods.

The core methods are displayed below:

a) Fair value of financial instruments

If no active market quotations are present for financial assets or liabilities, the fair value shall be calculated under application of evaluation processes. Parameters required for this shall be based as far as possible on observable market data. If such input data is not present, evaluation methods shall be applied which are based, amongst other elements, on volatility and market liquidity. Changes to the assumptions regarding these parameters could have an effect on the indicated fair value of financial instruments evaluated with these methods.

Further information is presented in Notes (6), (7), (55) and (56) Fair value of financial instruments.

b) Pension services

Expenses from performance-based plans, as well as the cash value of pension obligations, are ascertained based on actuarial calculations. These are performed on the basis of various assumptions regarding salary, wage and pension developments, death rate, and discount rates. Based on the long-term nature of the assumptions used as a basis and the complex evaluation methods, changes in the assumptions may lead to not-insignificant effects.

Further information can be found in Note (11) Provisions for pensions and similar liabilities or Note (44) Provisions.

c) Taxes

Deferred tax assets are estimated for unused tax loss amounts to the amount to which it is likely that the income taxable in this respect will be available, that means, the extent to which the loss amounts can actually be used. A significantly discretionary judgement is made for the time of entry and the amount of the income to be taxed in future.

Further information on taxes can be found in Note (13) Income tax assets and liabilities.

(4) **Applied and new IFRS**

In these annual accounts, all IFRS interpretations and the respective changes thereto are applied, provided they have been recognised by the EU within the context of the endorsement process and are relevant for NORD/LB CBB in the reporting period 2015.

In the reporting period, the following amendments to standards, to be applied to NORD/LB CBB for the first time as at 1 January 2015, were taken into consideration:

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21 as an interpretation of IAS 37 on the topic of levies. According to this, a debt post shall be estimated for levies if the event triggering the obligation to pay levies occurs. The occurrence of this event shall be taken from the wording of the respective legal principle. Based on the law of 18 December 2015 regarding 'Processing of financial institution and certain securities companies', the event triggering the obligation to pay an annual contribution is based in the execution of that activity for which the law establishes the levy. The Bank has paid the corresponding annual contribution for 2015 in full, and recognised as an expense. A factual and present obligation to pay future annual contributions cannot be inferred from the financial compulsion to conduct business activity in future, nor from the premise of the going concern as a basic accounting principle. For further information on this topic area, see also Note (71) Deposit protection and resolution/guarantee funds.

Improvements to IFRS (Cycle 2011–2013) within the framework of the IASB annual improvement process

Changes were made to the four standards IFRS 1, IFRS 3, IFRS 13 and IAS 40 within the framework of the annual improvement process. The adjustment of formulations in individual IFRSs is intended to clarify the existing regulations.

The annual IFRS improvements (Cycle 2011–2013) do not have any significant influence on the accounts of NORD/LB CBB.

With permission, the premature application of the following standards and changes to standards, accepted into European law and to be implemented for the statement of NORD/LB CBB only after 31 December 2015, was foregone:

Amendments to IFRS 11 – balancing acquisition of shares in a joint activity

Within the framework of the changes to IFRS 11 to be applied from 1 January 2016, an explanation is given as to how the acquisition of shares in joint activities which represent a business transaction in the sense of IFRS 3 should be balanced. All principles of balancing amalgamations set out in IFRS 3 or other standards shall be applied within the scope of the shares acquired, and the corresponding requirements to disclose shall be taken into account.

There is currently no application case present at the Bank for the changes to IFRS 11.

Amendment to IAS 1 – Presentation of Financial Statements

With the amended standard published on 18 December 2014, the first, promptly implementable suggestions for changes to IAS 1 – Presentation of Financial Statements are implemented. The changes highlight the concept of materiality in order to promote the disclosure of relevant information in IFRS statements. By foregoing the disclosure of insignificant information, this should create the opportunity for complementary interim balances and a higher level of flexibility in the layout of the appendix. The sub-division of OCI in the statement of income and accumulated earnings is also clarified.

There exist no significant effects for the Bank as a result of the changes to IAS 1 which shall be applied for the reporting period beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable depreciation methods

On 12 May 2014, the IASB published amendments to IAS 16 – Property, Plant and Equipment, and IAS 38 – Intangible Assets, regarding those permissible methods which allow an appropriate depiction of the application of future financial use. It was made clear that a depreciation for property, plant and equipment on the basis of turnover revenues from goods manufactured by the company is not appropriate, and is only permissible for intangible assets with a limited useful life in explicitly named exceptions. Application of the amendments shall be obligatory from the business years beginning on or after 1 January 2016.

Since the depreciation methods are not applied at NORD/LB CBB, no effects are expected as a result of the changes to IAS 16 and IAS 38.

Amendments to IAS 19 – Employee Benefits: employer contributions
With the change to IAS 19 – Employee Benefits, published in November 2013, those provisions which deal with the allocation of employee contributions or contributions of third parties to the service periods are made more concrete, provided these amounts are associated with the time of service. Moreover, easements are created if the contributions are independent of the number of service years. The amendments to IAS 19 – due to their inclusion in EU Law – shall be compulsorily applicable for the Bank from 1 January 2016.
There exist no effects for the Bank as a result of the changes to IAS 19.
The following standards, amendments to standards and interpretations are still awaiting inclusion in European law by the EU Commission as at the time of compiling the accounts:

IFRS 9 – Financial Instruments
In July 2014, the IASB concluded its project to dissolve IAS 39 by publishing the final version of IFRS 9 – Financial Instruments. IFRS 9 contains the following regulation areas in particular:

Classification and evaluation of financial assets and liabilities
The categorisation shall in future be in line with the business model of the balancing company and the contractually agreed payment flows of the asset. Furthermore, the regulations for embedded derivatives and reallocation have been modified. The provisions regarding financial liability have remained predominantly unchanged regarding IAS 39. The most significant difference to the previous regulation concerns the application of the fair-value option. The changes to the evaluation of financial liabilities, caused by creditworthiness, shall in future generally be indicated under OCI, with the remaining portion of the value adjustment being recorded in the profit and loss account as before.

Depreciation of financial assets
The scope of application affects not just financial instruments, but also credit commitments and financing guarantees, amongst others. The new depreciation model stipulates a renunciation of the concept of 'incurred loss', moving towards the concept of 'expected loss'. According to the new depreciation model, financial instruments, credit commitments or financing guarantees shall be sub-divided depending on the change to their credit quality, compared to the time of inflow, in three stages. The calculation of the expected loan defaults is in line with the allocation of a financial instrument, a credit commitment or a financing guarantee to the corresponding stages. In Stage 1, the expected loan defaults are calculated to the amount of the expected loss with an observation period of one year. In Stages 2 and 3, the calculation of expected loan defaults is performed using the maturity of financial instruments (lifetime expected loss).
Exceptional regulations exist for trade receivables and leasing receivables. All expected losses at the time of inflow must either be taken into consideration for trade receivables without significant financing components, or these may be taken into consideration for trade receivables with significant financing components and leasing receivables.

Hedging relationships
The IASB has enacted a splitting of the topic of hedge accounting into the sub-areas of general hedge accounting and macro hedge accounting. Macro hedge accounting is not part of the published IFRS 9 and shall be processed by the IASB as an independent project. Until the new regulations regarding macro hedge accounting are published, the regulations of IAS 39 regarding portfolio fair-value hedge shall remain effective for interest risks. For the standard regarding general hedge accounting, there exists the right to choose to apply this from 1 January 2018, or to continue to use the regulations of IAS 39. This is intended to depict the operational risk management more starkly than before. The role of qualitative application criteria applied to the regulations of IAS 39 have been strengthened compared to the quantitative application criteria. Moreover, the group of underlying and hedging transactions that come into question for hedge accounting has been significantly expanded, and additional designation possibilities have been created. A rigid, percentile effectiveness boundary shall no longer be applied to the effectiveness of hedging relationships in future.
Application of IFRS 9 shall – subject to its inclusion in European law – be obligatory for financial years starting on or after 1 January 2018.
Significant influences on accounting, evaluation and disclosure in future statements are expected with regards to IFRS 9. The effects of IFRS 9 are currently being evaluated.

IFRS 15 – Revenue from contracts with customers
In May 2014, the IASB and the FASB published a joint accounting standard regarding the recording of revenue. This standard amalgamates the wide variety of previous regulations and at the same time sets out uniform basic principles which are applicable for all sectors and all categories of turnover transactions. As well as the introduction of a new five-stage schematic for ascertaining turnover realisation, the standard also includes regulations on detailed questions such as multiple-component transactions and the handling of service contracts and contract adjustments, as well as an expansion to the necessary appendix information. IFRS 15 will replace the content of IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13, IFRIC 15 and IFRIC 18, and SIC 31.
In September 2015, the IASB issued an amendment to IFRS 15. Herein, the obligatory time of first application of the standard was postponed to those financial years which begin on or after 1 January 2018.
The analysis of potential effects of IFRS 15 on the Bank as at the balance sheet reporting date is not yet finalised.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment companies – Application of consolidation exception
Questions regarding the application of the exception to the consolidation obligation for investment companies are dealt with within the context of the amendments. Application of the amendments shall – subject to their inclusion in European law – be obligatory for financial years starting on or after 1 January 2016.
No effects are expected for the Bank as a result of these amendments.

Furthermore, the following amendments to standards have not yet been included in European law:
Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and an associated company or joint venture
On 17 December 2015, the IASB published its amended standard in order to postpone the time of first application of the changes to IFRS 10 and IAS 28 for an unspecified period, since an inconsistency was identified between the amendments and the existing regulations of IAS 28, and further adjustments are being planned upon conclusion of a research project regarding the equity method. The effects of the amendments on NORD/LB CBB shall therefore not be analysed until the final publication of the amended standard on the part of the IASB.
The first implementation of the described amended standards is stipulated for the respective time of first application.

(5) Currency translation
The Bank calculates the annual accounts in its functional currency (balance sheet currency). The methods applied for translation of currencies are described below.

Translation to functional currency

Monetary assets and liabilities registered in a foreign currency, as well as non-monetary posts evaluated at fair value, shall be converted using the ECB reference conversion rate as at 31 December 2015. Non-monetary posts that are evaluated at procurement and manufacture costs shall be recorded using historical exchange rates. Expenses and income in foreign currency shall be translated using market-driven exchange rates per currency. Currency differences for monetary posts shall in principle be reflected in the profit and loss account; for non-monetary posts, receipt shall be performed pursuant to the recording of profits or losses of such posts either affecting or not affecting net income.

(6) Financial instruments

A financial instrument is defined as a contract which leads to a financial asset for one company and either a financial liability or an equity instrument for another company. The financial instruments of NORD/LB CBB are recorded accordingly on the balance sheet. They are allocated pursuant to the stipulations of IAS 39 to the holding categories, and are evaluated depending on this allocation.

a) Inflow and outflow of financial instruments

The balance sheet approach of a financial asset or liability is taken if the Bank becomes a contracting party to the contractual regulations of the financial instrument. In general the trading day and day of execution shall diverge in case of regular cash purchases or sales of financial assets. There exists for these regular cash purchases or sales a right to choose the balance sheet approach on the trading day ('trade date accounting') or on the date of execution ('settlement date accounting'). The balance sheet approach in the accounts is applied to all financial assets as settlement date accounting.

The outflow stipulations of IAS 39 are in line with both the concept of opportunities and risks and the power of disposition, wherein the evaluation of the opportunities and risks arising from ownership have precedence over the evaluation of the transfer of power of disposition in the inspection of write-off processes.

In case of an only partial transfer of opportunities and risks, and the retention of power of disposition, the continuing involvement approach shall be applied. The financial asset shall here be recorded under consideration of specific balancing and evaluation methods to the extent that it corresponds to 'continuing involvement'. The extent of the continuing involvement is determined by the extent to which the Bank continues to bear the risk of changes in the value of the transferred asset.

A financial liability (or a part of one) shall be written off if it is lapsed, that is to say, if the liabilities named in the contract are balanced, voided, or expired. The buyback of own debt instruments also falls under the writing off of financial liabilities. Different amounts, in case of a repurchase, between the accounting value of the liability (including premiums and discounts) and the repurchase price shall be recorded with effect on net income; in case of a resale at a later time, a new financial liability shall arise, the procurement costs of which correspond to the sale revenue. Difference totals between these new procurement costs and the back-payment total are distributed across the remaining lifetime of the debt instrument according to the effective interest method.

b) Categorisation and valuation

The first-time recording of financial assets or liabilities is performed at fair value. For financial instruments in the categories Loans and Receivables (LaR), Held to Maturity (HtM), Available for Sale (AfS) and Other Liabilities (OL), transaction costs are included in procurement costs provided these are directly allocatable. These are taken into consideration within the framework of the premiums and discounts with constant effective interest to the nominal value or back-payment total. For financial instruments in the categories Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (aFV), the transaction costs are recorded immediately, affecting net income.

The subsequent valuation of financial assets and liabilities is oriented to which category they are allocated to according to IAS 39 at the time of their acquisition:

// *Loans and Receivables (LaR)*

This category covers non-derivative financial assets with fixed or determinable payments which are not listed on an active market, provided these are not categorised as Financial Assets at Fair Value through Profit or Loss (aFV) or Available for Sale (AfS). The subsequent valuation is performed at continued procurement costs (amortised cost). At each balance sheet reporting date, and in case of indications of potential value depreciations, Loans and Receivables (LaR) will be inspected and their value adjusted where applicable (compare Note (7) Risk provisions). Appreciations in value are made affecting net income. The upper limit of the appreciation in value is the continued procurement costs which would have arisen at the time of valuation without value depreciations.

// *Held to Maturity (HtM)*

Non-derivative financial assets with fixed or determinable payments, as well as those with a fixed lifetime, for which there exists the intention and ability to maintain these until their final maturity, can be allocated to this category. An allocation can be performed as far as the financial instruments are categorised as Financial Assets at Fair Value through Profit or Loss (aFV), as Available for Sale (AfS) or as Loans and Receivables (LaR). The subsequent valuation is performed at continued procurement costs (amortised cost). The category Held to Maturity is currently not in use in the annual accounts of NORD/LB CBB.

// *Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (aFV).*

This category is split into two sub-categories:

a) Held for Trading (HfT)

This sub-category covers financial instruments (trading assets and liabilities) which were acquired with the intention of achieving profits from short-term sales and purchases, and which include all derivatives, provided these do not represent hedging instruments within the context of hedge accounting. In essence, trading assets are composed of commercial papers, loans and stocks, as well as derivatives with positive fair value. Trading liabilities in particular cover derivatives with negative fair value, as well as delivery commitments from bear sales. Trading assets and liabilities are recorded at fair value, affecting net income, within the framework of the subsequent valuation. An amortisation of upfront payments with constant effective interest is performed. The Bank differentiates here between account book derivatives, for which no amortisation of upfront payments is performed, and non-trading portfolio derivatives, for which the amortisation with constant effective interest runs off into interest profit.

b) Designated at Fair Value through Profit or Loss (dFV)

All financial instruments are allocated to this sub-category, known as fair-value option, upon fulfilling certain conditions. Exercising the fair-value option avoids or significantly reduces approach and valuation incongruence arising from the differing valuation methods for financial assets and liabilities (e.g. by mapping financial hedging relationships without having to fulfil the restrictive requirements of hedge accounting). Further explanations of the manner and scope of application of the fair-value option are described in Note (31) Financial assets measured at fair value through profit and loss and Note (42) Financial liabilities measured at fair value through profit and loss. Financial instruments to which the fair-value option is applied are indicated in the corresponding balance sheet position and valued at fair value, affecting net income, within the framework of the subsequent valuation. An amortisation of premiums and discounts with constant effective interest is performed.

// *Available for Sale (AfS)*

All non-derivative financial assets which have not been allocated to any of the categories named above are allocated to this category. These may include, in particular, loans and debentures, as well as shares and participations, which are not valued pursuant to IAS 27, IAS 28 or IAS 31. The subsequent value is taken at fair value; if the fair value for financial investments in equity instruments – such as certain shares or participations, for which no price listed on an active market is available (as well as derivatives which cannot be fulfilled by tender alone) – cannot be reliably ascertained, the value is taken from procurement costs. The result of the fair-value valuation shall be documented in a separate equity position, not affecting net income (revaluation reserve). When selling the financial asset, the cumulated revaluation result balanced in the new revaluation reserve is cancelled and recorded in the profit and loss account.

An impairment shall only occur if there exists a steady value depreciation induced by creditworthiness. The assessment of the presence of such a steady value depreciation shall be conducted using certain objective factors. Objective factors in this regard are those trigger events listed in IAS 39, such as significant financial difficulties of the issuer or the debtor, or a contract breach, such as default or delay of interest or principal payments. For equity instruments, a significant decrease in fair value under procurement costs is, along with supplementary criteria, an objective indication of value depreciation.

For value depreciations induced by creditworthiness, the revaluation reserve shall be adjusted according to the value depreciation amount, and the amount shall be taken into account in the profit and loss account if this is an impairment in the sense of IAS 39. Appreciations in the value of borrowed capital instruments shall be recorded as affecting net income for that part of the appreciation which corresponds to the value-adjusted total, and moreover shall be recorded as not affecting net income in the revaluation reserve. Appreciations in the value of equity instruments – unless valued at procurement costs – shall be recorded under equity as not affecting net income. Differences between procurement costs and the buyback total shall be amortised, affecting net income, by means of the effective interest method.

// *Other Liabilities (OL)*

This category includes, in particular, liabilities to banks and customers, securitised liabilities, and subordinated capital, provided these liabilities were not designated within the framework of the fair-value option. The subsequent valuation is performed at continued procurement costs (amortised cost) under application of the effective interest method.

The accounting values and net results per valuation category are described in Note (52) Book values by valuation categories.

c) Reallocation

Pursuant to the stipulations of IAS 39, reallocations of financial instruments from the category HfT (trading assets) to the categories LaR, HtM and AfS, and from the category AfS to the categories LaR and HtM are allowed under certain conditions. Regarding the rights to choose reallocations in NORD/LB CBB, we refer you to Note (33) Financial investments.

d) Calculating fair value

The unit of account taken as a basis for the value calculation is in principle defined by IAS 39. In NORD/LB CBB, the individual financial instrument represents the valuation unit, provided IFRS 13 does not stipulate an exception.

The fair value of financial instruments according to IAS 39, in conjunction with IFRS 13, reflects the price at which an asset can be sold or a liability transferred within the context of a standard transaction between market participants on the valuation date, that is, the fair value is market-dependent and not a company-specific value. According to IFRS 13, the fair value is that price which is either directly observable, or a price calculated using a valuation method which would be reached in a standard transaction, i.e. a sale or transfer, on the primary market or the most advantageous market on the valuation date. The valuation on the valuation date shall always be based on a fictive possible market transaction. If there exists a primary market, the price on this market shall represent the fair value, regardless of whether the price is directly observable or is calculated on the basis of an valuation method. This shall also apply if the price is potentially more advantageous on another market.

// *Financial instruments documented on the balance sheet at fair value*

In NORD/LB CBB, the three-tier fair-value hierarchy with the terminology stipulated in IFRS 13, Level 1 (Mark to Market), Level 2 (Mark to Matrix) and Level 3 (Mark to Model), is used.

The respective level is defined according to the input data used and referred to for the valuation, and reflects the market closeness of the variables involved in the calculation of fair value. If input data from different hierarchy levels is used to calculate fair value, the fair value calculated for the respective financial instrument shall be allocated to the lowest level whose input data has a significant influence on the fair-value valuation.

Within the context of the fair-value hierarchy, a financial instrument is categorised as Level 1 if it is traded on an active market and if publicly listed stock exchange prices or actually traded prices on the OTC market are used to determine fair value. When regressing to observable price sources other than stock exchange quotations here, those prices set by other banks or market makers are applied. The acceptance of Level 1 prices does not require an adjustment. Level 1 financial instruments include trading assets and liabilities and financial instruments designated for fair-value valuation, as well as financial investments balanced at fair value and other assets.

In cases where price quotations on active markets cannot be used, the fair value shall be calculated using recognised valuation methods or models, as well as external pricing services, provided the valuation takes place in whole or in part using spread curves (Level 2). In the area of valuation of financial instruments, this includes valuation methods established under standard conditions on the market (e.g. Discounted Cash Flow method, Hull & White model for options), which are generally calculated based on input parameters available on the market. The requirement that determining factors which would take into consideration a market participant when setting prices be included in the valuation applies. The corresponding parameters will, as far as possible,

be taken from that market on which the instrument was issued or acquired.
Valuation models are used above all for OTC derivatives and securities listed on inactive markets. Various parameters are incorporated into this model, such as market prices and other market quotations, no-risk interest curves, risk premiums, exchange rates and volatilities. Should estimations be necessary in individual cases, where appropriate upon application of option price models, a market-standard method shall always be applied.
For Level 2 valuations, market data already in use as a basis for risk monitoring shall be used. All payments shall be discounted with the interest curve adjusted for the credit spread of the counterparty. The spreads shall be calculated on the basis of comparable financial instruments or credit curves (for example, under consideration of the respective market sector and creditworthiness of the issuer).
For financial instruments for which no active market is present as of 31 December 2015, and for which market prices can no longer be used for valuation purposes, a fair-value calculation according to the Mark to Matrix process on the basis of discounted cash flows shall be conducted for valuation purposes.
Ascertaining which financial instrument in the Bank should be valued in this manner shall be done on an individual stock basis and using a separation into active and inactive markets based on this. An amended estimation of the market shall be continuously referred to during the valuation. The identification, analysis and assessment of financial instruments on inactive markets is performed in various areas of the Bank, hence as objective an estimation of inactivity as possible is guaranteed. The valuation method for financial instruments on inactive markets here is based on lifetime-specific interest rates, the creditworthiness of the respective issuer, and the appropriate rate of interest of the equity tied up. The ratings of the respective counterparties shall also be used, amongst other elements, as a parameter in this process. If these are taken from publicly available sources, financial instruments evaluated in this manner shall be allocated to Level 2. Level 2 financial instruments include trading assets and liabilities, financial instruments designated for fair-value valuation and financial investments balanced at fair value.
Financial instruments for which no active market exists, and for the valuation of which no market prices nor fully observable market parameters can be used, shall be allocated to Level 3. Compared to, and demarcated from, the Level 2 valuation, not only can institute-specific models be used in the Level 3 valuation in principle, but data which is not observable on the market can also be included. These instruments are valued either in a comparison process with similar financial instruments on the market of observable transactions, or by means of industry-standard models. The input parameters used in these methods include assumptions about payment flows, loss estimations, and the discounting interest rate, and are therefore gathered as close to the market as possible.
Financial instruments are accordingly allocated to Level 3 if the internal ratings of the internal ratings-based approach (pursuant to CRR) applied by NORD/LB are used in the process. This shall apply regardless of the fact that the internal data for the supervisory body approval inspection was calibrated with data from publicly available ratings, which are the basis of price decisions made by market participants.
All valuation methods used by the Bank are periodically assessed. The fair values are subject to internal controls and processes at NORD/LB. These controls and processes are conducted or coordinated in the area of Finance or Risk Monitoring. The models, the data input and the resulting fair values are regularly inspected.
For value calculations, all relevant factors, such as bid-ask spread, counterparty default risks or discounting factors typical for the transaction, are taken into consideration as appropriate. In the context of the bid-ask spread, in principle a valuation is performed at the average rate or average quotation. Financial instruments especially affected are securities or liabilities, the fair values of which are based on prices quoted on active markets, as well as financial instruments such as OTC derivatives, the fair values of which are calculated using a valuation method, and for which the average quotation represents an observable input parameter of the valuation method.
At NORD/LB CBB, the price calculation of Level 1 and 2 securities is performed using a selection process based on the fuzzy theory. Here, the human decision behaviour within the context of calculating the valid price is recreated using mathematical logic. To this end, the most valid price on liquid markets is selected from a variety of price offerers using implemented logic. On non-liquid markets, this is performed via selection of the most valid price produced in a combination of a few offerers specialised in price setting, but also methods of comparable securities and spread-engineering processes. All processes used are integrated into the fuzzy engine implemented. Overall, therefore, the selection process is system-integrated and traceable at all times.
With regards to the Level 3 valuation, which is not currently in use at NORD/LB CBB, the prices are calculated in a uniform manner across the Group by means of probabilities of failure based on ratings using a discounted cash flow process.
In addition, the right to vote on the calculation of the credit value adjustment/debit value adjustment (CVA/DVA) was made use of on the basis of the net risk position according to IFRS 13.48. An allocation of the CVA/DVA to individual transactions on the balance sheet is performed on the basis of what is known as the relative credit adjustment approach.
Regarding the CVA/DVA, no quoted prices are present on active markets for certain types of derivatives, meaning that the fair value is calculated using other valuation methods. A valuation is regularly initially performed without consideration of the CVA, which is only taken into account subsequently. For the fair-value valuation, both the CVA and the DVA are taken into account. This is performed by means of an add-on process.
In essence, the Bank has switched over to the current market standard overnight index swap discounting (OIS discounting) for the valuation of collateralised OTC derivatives. Discounting within the context of the fair-value valuation of unsecured derivatives is still performed by means of LIBOR discounting.

// *Financial instruments which are listed with fair value for the purposes of disclosure*

In principle, the same stipulations for the calculation of fair value apply for financial instruments for which a fair value is calculated purely for the purposes of disclosure as for those for which the fair value is indicated on the balance sheet. These financial instruments include, for example, cash reserves, assets and liabilities to and from banks and customers, certain bonds and company shares and securitised liabilities and subordinated capital.
For the cash reserve and short-term assets and liabilities to and from banks and customers (demand deposits), the nominal value is viewed as fair value due to their short-term nature.
For securities and liabilities, however, a valuation process (discounted cash flow model) is generally used in practice analogously to

the different valuation forms estimated at fair value on the balance sheet (e.g. market or comparison prices or valuation models). A non-risk yield curve is often referred to for value calculation in this valuation model, and adjusted by risk premiums and other components where applicable. For liabilities, the own credit failure risk of NORD/LB is referred to as risk premium here. A corresponding level allocation within the existing fair-value hierarchy is performed depending on the significance of the input data.

No observable market prices are available for long-term liabilities and assets to and from banks and customers, nor for deposits, since no observable primary or secondary markets exist. The calculation of fair value for these financial instruments is performed with the help of recognised valuation processes (discounted cash flow model). The input data for this model is the non-risk interest rate and a risk premium.

Further information on the fair-value hierarchy and the fair values of financial instruments can be found in Notes (55) Fair-value hierarchy and (56) Fair value of financial instruments.

e) Structured products

Structured products are composed of two components – one or more embedded derivative financial instruments (embedded derivatives, e.g. swaps, futures, caps) and a basic agreement (host contract, e.g. financial instruments, lease agreements). Both components are the subject of only one agreement regarding the structured product, which means these products form a legal unit and cannot be treated separately from one another, due to the contractual unit.

According to IAS 39, an embedded derivative shall be separated from the basic agreement and balanced as an independent derivative if the following criteria are cumulatively fulfilled:

- The economic characteristics and risks of the embedded derivative are not closely associated with the economic characteristics and risks of the basic agreement.
- An independent derivative with the same conditions as the embedded derivative financial instrument would satisfy the definition of a derivative financial instrument.
- The structured product is not estimated at fair value as affecting net income (category aFV).

No structured financial instruments with derivatives requiring separation are currently in our portfolio.

f) Hedge accounting
(balancing of hedging relationships)

Hedge accounting is understood as the financial reporting of hedging relationships. Within this framework, hedging relationships are formed between underlying and hedging transactions. The aim is to avoid or reduce fluctuations in the annual result and equity which result from the differing valuation of underlying and hedging transactions.

IAS 39 differentiates between three basic forms of hedges, all requiring different treatment within hedge accounting. For fair-value hedge accounting (parts of) assets or liabilities are hedged against changes to the fair value. The Bank's issue and lending business, as well as the securities portfolios of liquidity management, in particular, are subject to such a market value risk if these securities are interest-bearing. Individual transactions are hedged by means of a fair-value hedge. Interest or interest currency swaps are primarily used to hedge these risks.

Neither of the other basic forms, cash flow hedge accounting and hedging of a net investment in a foreign company, are currently in use.

Hedging relationships may only be balanced according to the rules of hedge accounting if the restrictive conditions of IAS 39 are satisfied. The demands of hedge accounting, in particular proof of hedge effectiveness, must be satisfied as at all balance sheet reporting dates and for all hedging relationships. The critical term matching method is used for the prospective execution of effectiveness tests. For retrospective effectiveness tests, a modified dollar offset method is used, which takes account of the problem of the low number arising for lesser value changes to underlying and hedging transactions by using an additional tolerance limit.

Pursuant to the regulations of fair-value hedge accounting, the derivative financial instruments used for hedging shall be balanced at fair value as positive or negative fair values from hedge accounting (Note (32) Fair values from hedge accounting or Note (43) Fair values from hedge accounting). The valuation changes shall be recorded as affecting net income (Note (21) Result from hedge accounting). The fair-value changes resulting from the hedge risk shall also be included under the position Result from hedge accounting, affecting net income, for the hedge asset or hedge liability.

If financial instruments from the category AfS are part of a hedging relationship, the change in fair value shall be broken down into secured and unsecured components. When using hedge accounting, that portion of the value change allotted to secured risks shall be recorded as affecting net income under Result from hedge accounting, whilst that portion not allocatable to the secured risk shall be booked under Revaluation reserve.

Within the framework of micro hedge accounting, the financial instruments valued at amortised costs are corrected in the balance sheet approach both on the assets and the liabilities side by the change to fair value, which can be traced back to the secured risk (hedge adjustment).

A hedging relationship ends when the underlying or hedging transaction expires, is sold or exercised, or when the requirements for hedge accounting are no longer satisfied.

g) Security-based repurchase agreements and securities lending

In the case of real security-based repurchase agreements (repo transactions), a transfer of the security released for repurchase shall not lead to a write-off, since the transferring company in essence retains all opportunities and risks associated with ownership of the repurchase object. The transferred asset shall therefore still be recorded for the pension provider and valued pursuant to the respective category. The payment received shall be rendered passive as a financial liability (depending on counterparty under liabilities to banks or customers). Agreed interest payments shall be recorded as interest expenses according to their maturity.

Reverse repo transactions are accordingly balanced as loans and advances to banks or customers and allocated to the category Loans and Receivables (LaR). The securities taken as a basis in pension for the cash transaction are not indicated separately in the balance. Interest arising from this transaction shall be recorded as interest income according to maturity.

Artificial security-based repurchase agreements were not owing as at 31 December 2015.

The principles of balancing real pension transactions apply analogously for securities lending. The loaned securities are indicated as security holdings and valuated pursuant to IAS 39, whilst borrowed securities are not balanced. Cash collaterals provided for security lending transactions are documented as receivables, and received cash securities as liabilities.

Regarding the scope and volume of security-based repurchase agreements, we refer you to Note (62) Offsetting financial assets and liabilities.

(7) Risk provisions

The risks from balance sheet lending business is accounted for through the creation of individual value adjustments and portfolio value adjustments.

The revision of the intrinsic value is performed for all significant receivables at an individual transaction level. The loan loss provisions cover all recognisable creditworthiness risks by creating individual value adjustments. The need for a value adjustment is deemed present if it is likely, on the basis of observable criteria, that not all interest or repayment obligations, or other liabilities, can be satisfied by their respective deadlines. Such criteria include, amongst others, the default or delay in making interest payments or other repayments totalling at least 90 days, and significant financial difficulties on the part of the debtor. The amount of the value adjustments is measured using the difference between the accounting value and the cash value of expected future cash flows.

The primary stage of risk provisioning are the Forborne Exposures (Note (59) Forbearance exposure), which are based on receivables from debtors who, due to financial difficulties, are no longer able to fulfil the conditions of the contract, or who run the risk of not being able to observe these conditions in future. In order to avoid a default or impairment, the Bank has decided to modify the conditions of this engagement in favour of the debtor, by carrying out one of the following measures (forbearance measures):

- Modification to conditions of contract
- Refinancing or restructuring
- Approval of a contractually granted option
- Foregoing on the part of the credit-lending institute to exercise contractually assured rights

For risks which have arisen but not yet been identified by the institutes, value adjustments shall be made at a portfolio level for groups of financial assets with comparable credit risks. This portfolio value adjustment, relating to creditworthiness, is performed based on historical likelihoods of default and regulatory loss quotas. Furthermore, the portfolio-specific LIP factor (loss identification period) is applied so that only consideration for losses that have occurred is guaranteed. The parameters used are inferred from the CRR systematic. Moreover, the Bank adjusts the valuation parameters for problematic portfolios to suit the parameters observable on the market, and underlines these scenarios with a likelihood of occurrence. In this financial year, the Bank adjusted the parameters according to market conditions.

The risks for operations not balanced (guarantees, endorsement liabilities, credit commitments) are accounted for with the creation of a provision for risks in lending business.

Irrecoverable receivables, for which no individual value adjustment was performed, are directly amortised. Receipts for amortised receivables are recorded as affecting net income.

No risk provisions are created for losses which have not occurred.

(8) Property, plant and equipment

Property, plant and equipment are estimated at their time of receipt with their procurement or manufacturing costs. A depreciable property, plant and equipment asset is balanced within the framework of the subsequent valuation less regular, linear depreciation, corresponding to financial service life. Value depreciations take place in the amount by which the accounting value exceeds the higher value from fair value less disposal costs and use value of the asset. The regular depreciation and value depreciations are recorded under administrative expenses.

Property, plant and equipment are amortised using the following time periods:

	Service life in years
Buildings	50
Fixtures and furnishings	3–15
Other property, plant and equipment	3–15

Procurement costs of low-value economic goods are recorded immediately as expenditure for reasons of materiality.

(9) Lease transactions

According to IAS 17, leasing contracts shall be classified as finance lease or operating lease at the start of the leasing relationship. If significant risks and opportunities associated with ownership are transferred to the lessee, the leasing relationship shall be classified as a finance lease; this leasing object is balanced by the lessee. If no significant risks and opportunities associated with ownership are transferred to the lessee, the leasing relationship shall be classified as an operating lease; this leasing object is balanced by the lessor.

Finance lease

Two contracts concluded by the Bank (data processing hardware) are to be classified as finance leases. With regards to the scope of the leased objects, the Bank has refrained from a balance sheet approach, under consideration of IAS 8.8, for reasons of materiality.

Operating lease

For an operating lease, the lessee records the leasing instalments as expenses under other administrative expenses. The initial direct costs (such as appraisal costs) are recorded immediately as affecting net income. Contracts as operating lessees operate within the industry-standard framework.

(10) Intangible assets

Intangible assets acquired by NORD/LB CBB are balanced at procurement costs, whilst self-generated intangible assets are balanced at manufacturing costs, provided the criteria of IAS 38 are satisfied.

For intangible assets with limited service lives, regular, linear depreciation shall be taken into consideration according to financial service life. Value depreciations are performed for intangible assets with limited service life in the amount to which the accounting value exceeds the higher value from fair value less disposal costs and use value of the asset. Value appreciations take place if the reasons for the value depreciations lapse, though not beyond the limit of the continued procurement or manufacturing costs. The regular depreciation is recorded under administrative expenses.

Intangible assets with limited service life are amortised over a period of three to 15 years.

Intangible assets with unspecified service life are not present at NORD/LB CBB.

(11) Provisions for pensions and similar liabilities

The operational pensions provision is based on different provision systems. In one case, employees get entitlement to provision claims (defined contribution plan) through a contribution payment by the respective institute to an external pension provider. Here, the contributions to the pension provision are recorded as current expenses, under application of the accounting stipulations of IAS 19 for contribution-oriented plans, meaning that no pension reserves are to be created.

In the other case, the operational pension provision at NORD/LB CBB is based on a pension system where employees receive entitlement to pension claims wherein the pension service is concretely set out and dependent on factors such as expected wage and salary increases, age, seniority and a predicted pension trend (defined benefit plan). For this pension system, the accounting stipulations of IAS 19 for performance-based plans are applied. Those components of the pension reserve affecting net income consist of the service cost and the interest cost on the cash value of the liability. Here, the expected net income from plan assets reduce pension expenses. Moreover, service costs to be re-invoiced where applicable shall be taken into account as affecting net income. Interest expenses and expected income from plan assets are shown under net interest income.

The Bank records actuarial profits and losses to the full amount, not affecting net income, under equity, such that no increase or decrease to pension expenses is triggered by the repayment of actuarial profits or losses that are not yet booked as affecting net income.

The pension liabilities from performance-based plans are recorded on the balance sheet reporting date by independent actuaries according to the projected unit credit method. High-quality industry loans, as well as future expected salary and pension increases, are taken into account for the calculation, in addition to the biometric assumptions of the accounting interest rate (discounting rate).

The pension system is outsourced to a Luxembourg insurance company.

(12) Other provisions

Other provisions are generated pursuant to IAS 37 for uncertain liabilities to third parties and imminent losses from pending transactions, if it is likely that such shall be laid claim to and the amount of such can be reliably estimated. The valuation of provisions is measured according to the best possible estimation. This is based on the assessment by the management under consideration of empirical values and, where applicable, appraisals or expert opinions from authorities. Risks and uncertainties are taken into account here. Future events which may influence the amount necessary for fulfilling a liability are taken into account if objective evidence for their occurrence exists. Provisions are discounted if the effect is significant.

If it is not likely that they shall be laid claim to or the amount of the liability cannot be reliably estimated, a contingent liability shall be expressed in the Notes.

(13) Income tax assets and liabilities

The current income tax assets and liabilities were calculated with the applicable tax rates in the amount expected for the payment to or the reimbursement from the relevant tax authority.

Deferred tax assets and liabilities are calculated based on the difference total between the accounting value of an asset or liability on the balance sheet and the corresponding tax value. Here, deferred tax assets and liabilities shall foreseeably lead to income tax charges or loss elimination effects in future periods due to temporary differences. These were valuated based on those tax rates which are applicable for the period in which an asset was realised or a liability fulfilled.

The current income tax assets and liabilities, as well as deferred tax assets and liabilities, are balanced if there exist conditions for such a balancing. Discounts are not performed. Depending on the treatment of the circumstances taken as a basis, the deferred tax assets or liabilities shall either be recorded as affecting net income or as not affecting net income under equity.

The income tax expenses or income are documented in the profit and loss account under income taxes. The categorisation into current and deferred income tax assets and liabilities for the reporting year can be taken from the notes. On the balance sheet, the current and deferred income tax assets and liabilities are depicted as asset or liability positions, wherein the accounting value of a deferred tax asset shall be inspected on the balance sheet reporting date for its intrinsic value.

A Grand Duchy ordinance regarding taxation of IFRS annual accounts affecting NORD/LB CBB has been published as a draft. This stipulates that valuation differences from financial instruments which are reflected in the profit and loss account shall be incorporated into the basis of taxation. Moreover, this stipulation guarantees those liable to pay tax the right to choose to tax income from the first application in the first year of balancing according to IFRS, or to distribute these positions across two to five years.
NORD/LB CBB has obtained a binding declaration from the Luxembourg tax authorities regarding tax questions relating to IFRS balancing and first application, and has applied the tax measures described above. In this context, the income from the first application was not distributed over time, but rather was integrally taken into account from a tax perspective for the reporting year 2008.
Up until 31 December 2014, there existed a tax consolidation between Norddeutsche Landesbank Luxembourg S.A. (as legal predecessor to NORD/LB CBB) and its wholly owned subsidiary NORD/LB Covered Finance Bank S.A. NORD/LB CBB acted as parent company here. The tax consolidation became obsolete as at 1 January 2015, with the merger of both institutes named above, with retroactive effect on the accounts. Regarding the property tax reserves, we refer you to the statements made under Note (49) Notes to the statement of changes in equity.

(14) Subordinated capital
The subordinated capital position is composed of non-securitised, subordinate liabilities.
Subordinated capital is balanced at continued procurement costs. Premiums and discounts are distributed across their maturity according to the effective interest method, and are collected under net interest income, affecting net income. Demarcated interest not yet due is allocated directly to the corresponding post within subordinated capital.
A detailed listing of the subordinate liabilities can be found under Note (47) Subordinated capital.

Segment reporting

Segmentation according to business area
Segment reporting is performed according to IFRS 8 and serves to provide information on the business areas in accordance with the business model of the Bank on the basis of internal reporting. The segments are defined here as customer or product groups which are in line with the organisational structure of the Bank.
The net interest income of the individual segments was calculated according to the market interest method. The segment expenses include original expenses as well as expenses allocated on the basis of cost and service accounting. The risk provisions have been allocated to the segments on the basis of current real costs.

Financial Markets & Sales
In particular, departments commissioned to manage the Bank (liquidity provisioning, interest and currency management) are recorded here. Sales activities in which the European sales capacities of the NORD/LB Group are included are also allocated here.

Loans
Above all, the lending business transferred by the Group with routine profit contributions is described in this segment.

Client Services & B2B
The Bank outsourced the Private Banking sector at the end of 2014 (compare Note (26)). Account and deposit management, as well as lending business with Private Banking customers, shall remain with the Bank, as shall the resulting income, and shall be allocated to the Client Services / B2B business area. Parts of the expenditure diverted from the former Private Banking business area are shown under administrative expenses. This relates to cost and service accounting for those service areas which shall not be allocated to the result from the business sectors surrendered. Furthermore, income from service accounting with NORD/LB Vermögensmanagement Luxembourg S.A. shall be documented under other operational profit.

Bank Management & Other
This segment covers other positions and crossover positions. The profit contributions resulting from the holding of participations are documented here.

Association
With the merger of the Bank, the business with associated banks has now been allocated to the Financial Markets segment.

Result from abandoned areas of business
Those profits which shall be allocated to NORD/LB Vermögensmanagement Luxembourg S.A. (compare Note (26) Result from abandoned areas of business) are shown here.

Segmentation by region
Segmentation according to geographical characteristics is oriented to the headquarters of the counterparty. Expenses and income are calculated in relation to the segment asset or liability.

(15) Classification of NORD/LB CBB or NORD/LB Luxembourg by business segment

	Segments							
in KEUR	Financial Markets & Sales	Loans	Client Services & B2B	Bank Management & Other	Association	Result from continued areas of business	Result from abandoned areas of business	Total*
Net interest income	**30,100**	**77,437**	**2,156**	**–16,377**	**0**	**93,316**	**0**	**93,316**
ditto previous year	40,540	70,710	1,674	–11,503	2,420	103,841	657	104,498
Loan loss provisions	**213**	**–1,470**	**103**	**0**	**0**	**–1,155**	**0**	**–1,155**
ditto previous year	2,847	7,266	446	–1,418	20	9,160	0	9,160
Net interest income after risk provisions	**30,312**	**75,967**	**2,259**	**–16,377**	**0**	**92,161**	**0**	**92,161**
ditto previous year	43,387	77,975	2,120	–24,628	2,439	113,001	657	113,658
Net commission income	**2,717**	**–25,520**	**–328**	**–276**	**0**	**–23,406**	**0**	**–23,406**
ditto previous year	329	–18,263	756	–210	–151	–17,539	7,285	–10,253
Profit/loss from financial instruments stated at fair value affecting net income	**–2,480**	**0**	**0**	**0**	**0**	**–2,480**	**0**	**–2,480**
ditto previous year	–29,213	128	0	15,106	0	–13,979	0	–13,979
Result from hedge accounting	**0**	**0**	**0**	**11,325**	**0**	**11,325**	**0**	**11,325**
ditto previous year	4,164	0	0	–635	0	3,529	0	3,529
Result from financial investments	**9,846**	**0**	**0**	**0**	**0**	**9,845**	**0**	**9,845**
ditto previous year	1,040	–46	–302	3,461	0	4,153	0	4,153
Administrative expenses	**–12,138**	**–11,925**	**–3,110**	**–16,917**	**0**	**–44,090**	**0**	**–44,090**
ditto previous year	–11,056	–10,564	–3,896	–17,507	–189	–43,212	–6,373	–49,585
Other income/expenses	**–3,474**	**–921**	**1,862**	**1,723**	**0**	**–810**	**0**	**–810**
ditto previous year	–4,843	–2,365	–7	5,051	0	–2,164	0	–2,164
Result before taxes	**24,783**	**37,601**	**684**	**–20,522**	**0**	**42,546**	**0**	**42,546**
ditto previous year	3,808	46,866	–1,328	–7,655	2,099	43,789	1,569	45,359
in millions of EUR								
Segment assets	**9,083.6**	**6,541.3**	**120.9**	**86.0**	**0.0**	**15,831.8**	**0.0**	**15,831.8**
ditto previous year	10,407.1	5,838.9	158.1	101.7	177.8	16,683.7	0.0	16,683.7
Segment liabilities (incl. equity)	**13,488.2**	**1,439.5**	**147.9**	**756.1**	**0.0**	**15,831.8**	**0.0**	**15,831.8**
ditto previous year	14,779.1	945.3	155.2	804.0	0.0	16,683.7	0.0	16,683.7
Risk assets	**1,591.6**	**2,395.0**	**63.1**	**89.9**	**0.0**	**4,139.6**	**0.0**	**4,139.6**
ditto previous year	2,224.7	2,272.8	58.1	106.8	0.0	4,662.3	0.0	4,662.3

	Segments							
in KEUR	Financial Markets & Sales	Loans	Client Services & B2B	Bank Management & Other	Association	Result from continued areas of business	Result from abandoned areas of business	Total*
Equity commitment	**143.2**	**215.6**	**5.7**	**8.1**	**0.0**	**372.6**	**0.0**	**372.6**
ditto previous year (based on annual average values)	178.6	155.0	11.9	12.8	4.9	363.2	0.0	363.2
CIR	**32.9%**	**24.1%**	**82.0%**	**–469.3%**	**0.0%**	**50.9%**	**0.0%**	**50.9%**
ditto previous year	74.4%	18.4%	151.7%	177.69%	8.3%	49.7%	80.2%	52.2%
RoRAC**	**11.3%**	**17.4%**	**4.3%**	**–106.0%**	**0.0%**	**9.2%**	**0.0%**	**9.2%**
ditto previous year	2.1%	30.2%	–6.4%	–13.5%	7.3%	10.7%	0.0%	11.1%
Further segment information in millions of EUR								
Property, plant and equipment assets, net	**18.3**	**17.9**	**6.9**	**24.2**	**0.0**	**67.3**	**0.0**	**67.3**
ditto previous year	24.0	5.8	11.8	27.1	0.3	68.9	0.0	68.9
Amortisation on property, plant and equipment assets, current year	**–0.5**	**–0.5**	**–0.2**	**–0.7**	**0.0**	**–1.8**	**0.0**	**–1.8**
ditto previous year	–0.7	–0.2	–0.3	–0.8	0.0	–2.0	0.0	–2.0
Intangible fixed assets, net	**3.8**	**3.8**	**1.4**	**5.1**	**0.0**	**14.1**	**0.0**	**14.1**
ditto previous year	3.9	0.9	1.9	4.4	0.0	11.2	0.0	11.2
Amortisation on intangible fixed assets, current year	**–0.5**	**–0.5**	**–0.2**	**–0.6**	**0.0**	**–1.7**	**0.0**	**–1.7**
ditto previous year	–0.5	–0.1	–0.2	–0.6	0.0	–1.5	0.0	–1.5
Change to value adjustments on financial investments, current year	**0.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**	**0.8**
ditto previous year	–12.5	0.6	0.0	–0.7	0.0	–12.6	0.0	–12.6

*) The previous year's figures are adjusted values. Compare Note (2) Adjustment of previous year's figures.
**) RoRAC = result before taxes/max (limit for committed capital, or committed capital)

(16) Classification of NORD/LB CBB or NORD/LB Luxembourg by geographical characteristics

	Segments										
in millions of EUR	Germany	Luxembourg	Switzerland	Rest of Europe	USA	Rest of America	Rest of World	Result from continued areas of business	Result from abandoned areas of business	Cross-over	Total
Result before taxes	**19.7**	**1.9**	**0.4**	**11.6**	**5.8**	**2.1**	**1.0**	**42.5**	**0.0**	**0.0**	**42.5**
ditto previous year	19.2	1.3	0.3	14.0	5.2	2.0	1.8	43.8	1.6	0.0	45.4
Segment assets	**7,343.5**	**696.0**	**152.7**	**4,317.9**	**2,168.0**	**776.9**	**376.7**	**15,831.8**	**0.0**	**0.0**	**15,831.8**
ditto previous year	7,314.4	500.0	116.3	5,316.2	1,990.0	748.5	698.2	16,683.7	0.0	0.0	16,683.7
Segment liabilities (incl. equity)	**7,100.3**	**5,676.0**	**903.8**	**2,046.1**	**26.8**	**19.9**	**58.9**	**15.831.8**	**0.0**	**0.0**	**15,831.8**
ditto previous year	9,348.7	5,560.8	947.5	749.9	32.9	30.2	13.7	16,683.7	0.0	0.0	16,683.7
Risk assets	**1,920.1**	**182.0**	**39.9**	**1,129.0**	**566.9**	**203.1**	**98.5**	**4,139.6**	**0.0**	**0.0**	**4,139.6**
ditto previous year	2,042.9	139.4	32.5	1,487.3	556.0	209.1	195.1	4,662.3	0.0	0.0	4,662.3
Equity commitment	**172.8**	**16.4**	**3.6**	**101.6**	**51.0**	**18.3**	**8.9**	**372.6**	**0.0**	**0.0**	**372.6**
ditto previous year (based on annual average values)	162.6	11.1	2.6	118.2	44.2	16.6	15.5	370.9	0.0	–7.7	363.2

Notes to the profit and loss account

(17) Net interest income and current income
The positions of interest income and expenses contain the interest income and expenses received, as well as amortisation of premiums and discounts from financial instruments, with constant effective interest, and dividend income.

Negative interest is settled with the remaining interest income. In the financial year 2015, and the comparison year 2014, no material negative interest was accrued.

	2015 (KEUR)	**2014* (KEUR)**	**Change in %**	**Before change of account presentation 2014 (KEUR)**
Interest income	**588,042**	**593,808**	**–1**	**570,588**
Interest income from lending business and money market transactions	196,901	188,214	5	188,214
Interest income from fixed-interest securities and debt register claims	169,919	199,499	–15	187,913
Current income	0	150	–100	150
from shares and other non-fixed-interest securities	0	150	–100	150
from participations	0	0	-	0
Interest income from hedge derivatives	220,885	205,428	8	193,793
Expected income from plan assets	94	103	–9	103
Other interest income and similar income	242	414	–41	414
Interest expenses	**–494,726**	**–489,967**	**1**	**–478,454**
Interest expenses from lending business and money market transactions	–128,415	–132,640	–3	–132,640
Interest expenses from securitised liabilities	–33,353	–43,417	–23	–43,417
Interest expenses from subordinated capital	–393	–532	–26	–532
Interest expenses from hedge derivatives	–332,420	–313,147	6	–301,634
Interest expenses for provisions and liabilities	–140	–228	–39	–228
Other interest expenses and similar expenses	–6	–4	48	–4
Total	**93,316**	**103,841**	**–10**	**92,134**

*) The previous year's figures are adjusted values. Compare Note (2) Adjustment of previous year's figures.

Other interest income and expenses essentially result from unwinding and from interest effects on performance-based pension plans.

(18) Loan loss provisions

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Income from loan loss provisions	**2,011**	**16,382**	**–88**
Liquidation of individual value adjustments on receivables	172	5,422	–97
Liquidation of portfolio-based value adjustments on receivables	0	2,132	–100
Liquidation of provisions in lending business	542	8,827	–94
Receipts for amortised receivables	1,297	0	> 100
Expenses from loan loss provisions	**–3,165**	**–7,222**	**–56**
Allocation to individual value adjustments on receivables	–2,324	–7,157	–68
Allocation to portfolio-based value adjustments on receivables	–391	0	< –100
Allocation to provisions in lending business	0	0	-
Direct receivable depreciation	–450	–65	> 100
Total	**–1,155**	**9,160**	**< –100**

(19) Net commission income

NORD/LB CBB indicates commission expenses and income in its result.

The Bank differentiates in the commission result between transaction-dependent commissions which are due and are collected with the transaction, and commissions limited by maturity which can be allocated to a specific time period and are linearly collected during this period according to plan. A distribution of those commissions limited by maturity with effect on interest is not performed.

The primary portion of the commission income is due on both the p.r.t. collected credit and guarantee commissions, and on one-time commissions in lending business with non-banking activity, whilst the lesser portion can be allocated to transaction-dependent commissions in the brokerage sector for customers, as well as to portfolio commissions in the fund sector.

The p.r.t. commission expenses result predominantly from the brokerage business with NORD/LB, Hanover. The transaction-dependent commissions result primarily from own transactions and securities transactions of the Bank.

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Commission income	**18,365**	**19,519**	**3**
from securities and custody business	6,710	2,816	> 100
from brokerage business	50	10	> 100
from lending and guarantee business	11,293	16,179	–30
Other commission income	312	514	–39
Commission expenses	–41,771	–37,057	17
from brokerage business	–22,972	–18,562	33
from lending and guarantee business	–17,414	–16,549	5
Other commission expenses	–1,385	–1,947	–29
Total	**–23,406**	**–17,539**	**33**

(20) Profit/loss from financial instruments stated at fair value affecting net income

The valuation result from trading activities (defined as unrealised expenditure and income from the fair-value valuation) are also included under trading result alongside the realised result (defined as the difference between disposal income and accounting value as at the last reporting date).

	2015 (KEUR)	2014* (KEUR)	Change (in %)	Before change of account presentation 2014 (KEUR)
Trading result	**379**	**–69,582**	**< –100**	**–67,467**
Realised result	–28,172	–73,024	–61	–73,024
from debentures and other fixed-interest securities	5,323	1,586	> 100	1,586
from shares and other non-fixed-interest securities	0	–1	–71	–1
from derivatives	–33,494	–74,609	–55	–74,609
from receivables held for trading purposes	0	0	-	0
Valuation result	26,556	2,480	> 100	2,480
from debentures and other fixed-interest securities	–4,551	5,215	< –100	5,215
from shares and other non-fixed-interest securities	0	0	-	0
from derivatives	31,108	–2,736	< –100	–2,736
from receivables held for trading purposes	0	0	-	0
Foreign exchange result	1,995	962	> 100	962
Other profit	0	0	-	2,115
Result from fair-value option	**–2,860**	**55,603**	**< –100**	**65,195**
Realised result from	4,376	3,475	26	3,475
debentures and other fixed-interest securities	4,376	3,475	26	3,475
from shares and other non-fixed-interest securities	0	0	-	0
other business	0	0	-	0
Valuation result from	–7,236	52,128	< –100	52,128
debentures and other fixed-interest securities	–7,236	52,128	< –100	52,128
debentures and other fixed-interest securities	0	0	-	0
other business	0	0	-	0
Other profit	0	0	-	9,592
Total	**–2,480**	**–13,979**	**–82**	**–2,272**

*) The previous year's figures are adjusted values. Compare Note (2) Adjustment of previous year's figures.

The interest result from the fair-value option in the amount of EUR 13,699 (previous year: EUR 9,592) is documented under Note (17) Net interest income and current income.

(21) Result from hedge accounting

The result from hedge accounting covers balanced fair-value changes to underlying transactions, based on the hedged risk, and balanced fair-value changes to the hedging instruments in effective micro fair-value hedging relationships. The Bank operates micro fair-value hedge accounting for the purposes of hedging interest and currency risks. Hedged underlying transactions are receivables or liabilities from or to banks or customers, financial investments, and own issues.

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Hedge result within framework of micro fair-value hedges	**11,325**	**3,529**	**> 100**
from hedged underlying transactions	65,930	166,742	–60
from derivatives used as hedging instruments	–54,604	–163,213	–67
Total	**11,325**	**3,529**	**> 100**

(22) Result from financial investments

Disposal and valuation results, affecting net income, from securities in the financial investment portfolio and from participations are documented under result from financial investments.

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Result from financial investments of category LaR including portfolio value adjustments	**1,386**	**–16,462**	**< –100**
Result from financial investments of category AfS (excl. participations)	**8,460**	**15,018**	**–44**
Result from divestiture	8,860	22,548	–61
of debentures and other fixed-interest securities	8,860	22,548	–61
of repurchases of own loans	0	0	-
Result from value adjustments	–400	–7,529	–95
of debentures and other fixed-interest securities	–400	–7,529	–95
Result from affiliated companies	**0**	**5,597**	**–100**
Total	**9,845**	**4,153**	**> 100**

(23) Administrative expenses

Administrative expenses comprise personnel expenditure, other administrative expenses and depreciation on property, plant and equipment and intangible assets.

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Personnel expenses	**–21,882**	**–22,727**	**–4**
Salaries and wages	–18,844	–20,107	–6
Payroll deductions	–1,346	–1,284	5
Expenses for pensions and other benefits	–1,188	–1,022	16
Other personnel expenses	–504	–314	61
Other administrative expenses	**–18,623**	**–16,977**	**10**
Expenses for fixtures and furnishings, and data processing	–10,482	–11,521	–9
Legal, auditing, appraisal and consultation costs	–5,106	–3,709	38
Other administrative expenses	–3,034	–1,747	74
Depreciation and value adjustments (impairments)	**–3,585**	**–3,508**	**2**
Depreciation	–3,585	–3,508	2
Property, plant and equipment	–1,846	–2,056	–10
Intangible assets	–1,739	–1,452	20
Total	**–44,090**	**–43,212**	**2**

(24) Other operating result

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Other operating income	**21,464**	**4,015**	**> 100**
from liquidation of provisions	0	1,202	–100
Other income	21,464	2,814	> 100
Other operating expenses	**–22,274**	**–6,179**	**> 100**
from allocation of provisions	0	0	-
Other expenses	–22,274	–6,179	> 100
Total	**–810**	**–2,164**	**–63**

Other operating income results predominantly from income obtained outside of the period from VAT (KEUR 1,500; previous year: KEUR 1,074), rental income (KEUR 833; previous year: KEUR 632), income for service accounting of NORD/LB Vermögensmanagement Luxembourg S.A. (KEUR 959; previous year: KEUR 0), income from liquidation of accruals (KEUR 715; previous year: KEUR 143) and the effects of the merger of both predecessor institutes (KEUR 16,648; previous year: KEUR 0). The other operating expenses include, in essence, expenses for service accounting with the Group (KEUR 4,624; previous year: KEUR 4,184), for levies in relation to the bank and treasury fund (Fonds de résolution Luxembourg (FRL)) and the new Luxembourg deposit guarantee fund (Fonds de garantie des dépôts Luxembourg (FGDL)) (KEUR 1,294; previous year: KEUR 0), for effects from the merger (KEUR 3,742; previous year: KEUR 0) and amounts paid in settlements and provisions for ongoing legal proceedings (KEUR 12,400; previous year: KEUR 0).

Merger result

The following table show the merger result of both predecessor institutes to NORD/LB CBB:

in KEUR	01/01/2015
Effect from business consolidation	–3,742
Effect from profit reserves of NORD/LB CFB	16,648
Merger result before taxes	**12,906**
Income taxes	1,093
Merger result after taxes	**13,999**

The merger result is recorded under other operating income.

No income taxes are payable on the upheaval of the profit reserves, since this was already imposed on the predecessor institute NORD/LB CFB. The positive income tax results from the effects of the business consolidation.

(25) Income taxes

	2015 (KEUR)	2014 (KEUR)	Change (in %)
Current taxes on income and revenue	–10,405	–6,325	65
Deferred taxes	–39	–960	–96
Total	**–10,444**	**–7,285**	**43**

The following tax offsetting and reconciliation shows an analysis of the difference amount between the income tax expenses which would arise under application of the Luxembourg Income Tax Act on the IFRS result before taxes, and the income tax expenses actually documented.

	2015 (KEUR)	2014 (KEUR)
IFRS result before taxes	**42,546**	**43,789**
Expected income tax expenses	–12,432	–12,795
Transition effects:		
Effects due to deviating tax rates	0	0
Taxes from previous year recorded in reporting year	0	279
Effects of changes in tax rates	0	0
Non-creditable income taxes	0	0
Non-deductible operating expenses	–3,413	–41
Effects of tax-free income	4,870	4,487
Other effects	531	785
Income tax expenses documented	**–10,444**	**–7,285**

The expected income tax expenses in the tax offsetting and reconciliation are calculated based on the corporation and commercial tax burden in the amount of 29.22% (previous year: 29.22%) applicable in Luxembourg in 2015.

(26) Result from abandoned business sectors

Since the special bank principle for Luxembourg covered bond banks does not permit the operation of private banking business (consultation, asset management), the separation of Private Banking was a strict auxiliary condition for completion of the merger of NORD/LB Luxembourg and NORD/LB CFB into NORD/LB CBB. In order to satisfy this condition, the business area Private Banking was outsourced to a Luxembourg company as at 31 December 2014 (contractor of financial sector = Professionnel du Secteur Financier (PSF)). The PSF bears the name NORD/LB Vermögensmanagement Luxembourg S.A. and was set up as a subsidiary of NORD/LB.

Account and deposit management and lending business with private banking customers have remained within NORD/LB CBB, just as the income associated therewith has. The management of customers is handled by NORD/LB Vermögensmanagement Luxembourg S.A. In this regard, it mediates customer transactions with the Bank and single-handedly assumes responsibility for the asset management mandate. NORD/LB Vermögensmanagement Luxembourg S.A. pursues a growth strategy and is planning to further expand volumes and income. Through the mediation of financing services, in particular in the area of collateralised private banking loans, new customer relationships are being established. Moreover, the approach of uniform customer management is being more heavily emphasised, meaning that the penetration of existing customer relationships is also being strengthened.

The result from abandoned areas of business is composed as follows:

	2015 (KEUR)	2014 (KEUR)
Net interest income	0	657
Loan loss provisions	0	0
Net commission income	0	7,285
Profit/loss from financial instruments stated at fair value affecting net income including hedge accounting	0	0
Other operating result	0	0
Administrative expenses	0	–6,373
Result from financial investments	0	0
Result before income taxes	**0**	**1,569**
Income taxes	0	–459
Annual surplus	**0**	**1,111**

The cash flow statement for abandoned areas of business is as follows:

	2015 (KEUR)	2014 (KEUR)
Cash flow from operative activity	0	1,568
Cash flow from investment activity	0	0
Cash flow from financing activity	0	0
Cash flow total	**0**	**1,568**

Financial business was not transferred to the new company. Balance sheet effects have only occurred to a limited extent in pension provisions and equity.

Notes to the balance sheet

(27) Cash reserve

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Cash on hand	1.0	1.7	–39
Balances with central banks	83.1	0.8	> 100
Total	**84.1**	**2.5**	**> 100**

EUR 74.7 million (previous year: EUR 0.8 million) of the balances with central banks is attributable to balances with the Luxembourg Central Bank. EUR 19.7 million of this amount (previous year: EUR 0.8 million) relates to the minimum reserve requirement. The remaining EUR 8.4 million (previous year: EUR 0.0 million) is attributable to the Swiss National Bank.

(28) Loans and advances to banks

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Loans and advances from money market transactions	**1,108.7**	**1,044.9**	**6**
Domestic financial institutions	181.9	115.0	58
Foreign financial institutions	926.8	929.9	0
Other loans and advances	**401.3**	**353.9**	**13**
Domestic financial institutions	60.9	1.8	> 100
Due daily	60.9	1.8	> 100
Limited	0.0	0.0	–100
Foreign financial institutions	340.4	352.1	–3
Due daily	48.6	38.9	25
Limited	291.8	313.2	–7
Total	**1,510.0**	**1,398.8**	**8**

EUR 1,267.2 million (previous year: EUR 1,282.0 million) of the overall portfolio is attributable to loans and advances to foreign banks. A partial amount of EUR 236.8 million (previous year: EUR 269.5 million) of loans and advances to banks is only due after more than 12 months have passed.

(29) Loans and advances to customers

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Loans and advances from money market transactions	**0.0**	**9.1**	**–100**
Domestic customers	0.0	0.0	-
Foreign customers	0.0	9.1	–100
Other loans and advances	**6,768.8**	**6,190.0**	**9**
Domestic customers	243.3	209.0	16
Due daily	70.4	109.3	–35
Limited	172.8	99.7	73
Foreign customers	6,525.5	5,981.0	9
Due daily	30.4	3.3	> 100
Limited	6,495.2	5,977.8	9
Total	**6,768.8**	**6,199.1**	**9**

EUR 6,525.3 million (previous year: EUR 5,990.1 million) of the overall portfolio is attributable to loans and advances to foreign customers. EUR 4,907.6 million (previous year: EUR 4,156.9 million) of customer loans and advances is only due after more than 12 months have passed.

(30) Risk provisions

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Specific valuation allowances on loans and advances	**–36.4**	**–34.2**	**7**
Foreign financial institutions	0.0	0.0	-
Domestic customers	0.0	0.0	-
Foreign customers	–36.4	–34.2	7
Portfolio-based valuation allowances on loans and advances	**–3.5**	**–2.9**	**20**
Total	**–39.9**	**–37.1**	**8**

The risk provision and the provisions in the lending business reported under assets developed as follows:

in millions of EUR	Specific valuation allowances	Portfolio valuation allowances	Provisions in the lending business	Total
01/01/2014	**40.6**	**5.0**	**9.6**	**55.3**
Allocations	7.2	0.0	0.0	7.2
Reversals	–5.4	–2.1	–8.8	–16.4
Claims	–7.9	0.0	0.0	–7.9
Effects from currency conversions, unwinding and other changes	–0.2	0.0	0.2	0.0
Transfers	0.0	0.0	0.0	0.0
31/12/2014	34.2	2.9	1.0	38.2
Allocations	2.3	0.4	0.0	2.7
Reversals	–0.2	0.0	–0.5	–0.7
Claims	0.0	0.0	0.0	0.0
Effects from currency conversions, unwinding and other changes	0.0	0.2	0.5	0.8
Transfers	0.1	0.0	–0.1	0.0
31/12/2015	36.5	3.4	0.9	40.8

Please refer to Note (7) Risk provisions and Note (44) Provisions for further details.

The volume of loans deemed to be in default of payment amounts to EUR 20.4 million (previous year: EUR 20.2 million) on the reporting date. EUR 20.3 million is attributable to loan repayments and EUR 0.1 million to overdue interest payments. There are a total of six exposures, of which two are individually impaired. The longest default period is attributable to a loan and advance from 2012.

(31) Financial assets measured at fair value through profit and loss

This item includes the assets held for trading (HfT) and financial assets designated at fair value (dFV). The trading activities encompass trading in debentures and other fixed-interest securities, shares and other non-fixed-interest securities, as well as derivative financial instruments which are not employed for hedge accounting.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Trading assets	**92.8**	**302.4**	**–69**
Debentures and other fixed-interest securities	9.6	137.5	–93
Money market papers	0.0	0.0	-
from public issuers	0.0	0.0	-
from other issuers	0.0	0.0	-
Bonds and debentures	9.6	137.5	–93
from public issuers	0.0	0.0	-
from other issuers	9.6	137.5	–93
Shares and other non-fixed-interest securities	0.0	0.0	-
Shares	0.0	0.0	-
Investment fund units	0.0	0.0	-
Positive fair values from derivatives in conjunction with:	83.2	164.9	–50
Interest rate risks	45.9	62.5	–26
Currency risks	37.3	102.4	–64
Share and other price risks	0.0	0.0	-
Loans and advances of the trading portfolio	0.0	0.0	-
Financial assets designated at fair value	**1,194.2**	**1,034.1**	**15**
Loans and advances to banks and customers	0.0	0.0	-
Debentures and other fixed-interest securities	1,194.2	1,034.1	15
Shares and other non-fixed-interest securities	0.0	0.0	-
Total	**1,287.0**	**1,336.5**	**–4**

The Bank does not hold any credit derivatives or similar financial instruments in its portfolio.

EUR 1,238.9 million (previous year: EUR 1,199.2 million) of the overall portfolio is only due after more than 12 months have passed.

(32) Fair values from hedge accounting

This item comprises positive fair values of hedge instruments in effective micro and portfolio fair-value hedges. The Bank conducts micro fair-value hedging accounting for hedging of interest rate and currency risks.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Positive fair values from allocated micro fair-value hedge derivatives	290.4	360.2	–19
Derivative fair values as part of portfolio fair-value hedge accounting	0.0	0.0	-
Total	**290.4**	**360.2**	**–19**

Hedge derivatives with a fair value of EUR 281.7 million are due at the earliest after 12 months (previous year: EUR 326.8 million).

(33) Financial investments

The balance sheet item 'Financial investments' mainly comprises all debentures not used for trading purposes and categorised as available for sale (AfS) and other fixed-interest securities, shares and other non-fixed-interest securities.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Financial investments in category LaR	**2,706.5**	**2,952.6**	**–8**
Bonds and debentures	2,727.8	2,973.8	–8
from public issuers	1,685.3	1,741.8	–3
from other issuers	1,042.6	1,232.1	–15
Valuation allowances on LaR financial investments	–21.3	–21.2	0
Financial investments in category AfS	**3,139.7**	**4,360.8**	**–28**
Debentures and other fixed-interest securities	3,139.6	4,360.8	–28
Money market papers	0.0	0.0	-
from public issuers	0.0	0.0	-
from other issuers	0.0	0.0	-
Bonds and debentures	3,139.6	4,360.8	–28
from public issuers	1,161.7	1,403.1	–17
from other issuers	1,977.9	2,957.7	–33
Shares and other non-fixed-interest securities	0.0	0.1	–42
Shares	0.0	0.0	-
Investment fund units	0.0	0.0	-
Participation certificates	0.0	0.1	–42
Units in companies	0.0	0.0	0
Total	**5,846.2**	**7,313.5**	**–20**

The volume of financial investments which were issued by central governments of specific euro countries (Portugal, Italy, Ireland, Greece, Spain) comes to a nominal amount of EUR 114.8 million (previous year: EUR 111.1 million). There are three debentures from the Republic of Italy with terms up to 2018 or 2033 and a debtor warrant from the Republic of Greece with a term up to 2042. The book value of this financial investment amounts to KEUR 32 (previous year: KEUR 54) on the balance sheet reporting date.

EUR 4,813.5 million (previous year: EUR 5,971.8 million) of financial investments is only due after more than 12 months have passed.

There were no reclassifications during the reporting period.

The predecessor institution NORD/LB CFB took full advantage of the opportunities of IAS 39.50E and reclassified 19 AfS-designated securities (bonds and debentures) into LaR in 2008. Bonds and debentures for which there was clearly an intent to hold for the foreseeable future rather than to exit or trade in the short term were reclassified on the reclassification date. The bonds and debentures were reclassified in accordance with the amended IAS 39 with effect from 1 July 2008 or the purchase date in the third quarter of 2008 at the fair value calculated on the relevant reporting date. The book value on the transfer date was reduced on a pro rata basis through corresponding maturities. The book value also fluctuated as a result of changes to the hedge fair value. There were no further reclassifications between 2009 and 2015.

The figures shown in the balance sheet were also amended with the reclassification. The table below shows the book values and the fair value of the reclassified assets (original fair value of EUR 645.6 million in the predecessor institution NORD/LB CFB, as well as the status as at 31 December 2015 in NORD/LB CBB):

in millions of EUR	31/12/2015 Book value on the transfer date	31/12/2015 Book value	31/12/2015 Fair value	31/12/2014 Book value on the transfer date	31/12/2014 Book value	31/12/2014 Fair value	31/12/2013 Book value on the transfer date	31/12/2013 Book value	31/12/2013 Fair value
Reclassified financial investments	367.0	514.5	497.2	407.2	629.7	595.8	407.2	580.6	508.9

in millions of EUR	31/12/2012 Book value on the transfer date	31/12/2012 Book value	31/12/2012 Fair value	31/12/2011 Book value on the transfer date	31/12/2011 Book value	31/12/2011 Fair value	31/12/2010 Book value on the transfer date	31/12/2010 Book value	31/12/2010 Fair value
Reclassified financial investments	446.2	644.5	510.3	529.3	698.4	569.7	544.4	660.3	627.9

in millions of EUR	31/12/2009 Book value on the transfer date	31/12/2009 Book value	31/12/2009 Fair value	31/12/2008 Book value on the transfer date	31/12/2008 Book value	31/12/2008 Fair value	01/07/2008 Book value on the transfer date	01/07/2008 Book value	01/07/2008 Fair value
Reclassified financial investments	645.6	731.4	712.1	645.6	746.7	719.5	645.6	645.6	645.6

The reclassification was carried out at the book value with expected recoverable future cash flows of EUR 1,038.5 million. The earnings from unclassified securities recorded in equity without recognition in the income statement amounted to EUR –13.2 million at the time of the reclassification. The pro rata reversal of this item is carried out in accordance with IAS 39.54 via the interest result. The effective interest rate was calculated for each security. These rates are within a range of 2.53%–5.92%.

in KEUR	31/12/2015	31/12/2014	2008–2013
Unrealised earnings before taxes at the time of reclassification	-	-	–13,194
Pro rata reversal in accordance with IAS 39.54	272	327	3,126

The pro-rata reversal amounted to KEUR 272 (previous year: KEUR 327) during the 2015 reporting period at the expense of the interest income. The following additional equity effects would have occurred without the reclassification (on a cumulative basis on the reporting date):

in millions of EUR	31/12/2015	31/12/2014	31/12/2013	31/12/2012	31/12/2011	31/12/2010	31/12/2009	31/12/2008
Unrealised earnings before taxes	–26.3	–36.1	–71.9	–135.2	–128.7	–32.4	–19.3	–27.1
Deferred taxes	7.7	10.5	21.0	39.5	37.1	9.3	5.5	8.0
Net equity effect from unclassified financial assets available for sale	**–18.6**	**–25.6**	**–50.9**	**–95.7**	**–91.6**	**–23.1**	**–13.8**	**–19.1**

in millions of EUR	01/07/2008
Unrealised earnings before taxes	–13.2
Deferred taxes	3.9
Net equity effect from unclassified financial assets available for sale	**–9.3**

The units in affiliated companies include the investment value in Galimondo S.à r.l. on the reporting date. The following table shows the equity before the revaluation reserve and the earnings from the financial year of the investment valued at amortised cost:

Name/headquarters	Capital share	Investment book value (KEUR)	Equity before the revaluation reserve (KEUR)	Earnings 31/12/2014 (KEUR)
Galimondo S.à r.l., Luxembourg	100%	12	12	18
Total		**12**	**12**	**18**

The equity before the revaluation reserve of the investment corresponds to the investment book value.

(34) Property, plant and equipment

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Land and buildings	63.3	63.9	–1
Fixtures and furnishings	4.0	5.1	–21
Assets under construction	0.0	0.0	-
Other property, plant and equipment	0.0	0.0	-
Total	67.3	68.9	–2

The development of acquisition and manufacturing costs and accumulated depreciation for property, plant and equipment are as follows:

in millions of EUR	Land and buildings	Fixtures and furnishings	Assets under construction	Other property, plant and equipment	Total
Acquisition and manufacturing costs as at 01/01/2014	**66.6**	**10.2**	**0.0**	**0.0**	**76.7**
Additions	0.0	0.3	0.2	0.0	0.5
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.2	–0.2	0.0	0.0
Changes from currency conversions	0.0	0.0	0.0	0.0	0.0
Total 31/12/2014	66.6	10.6	0.0	0.0	77.2
Accumulated depreciation as at 01/01/2014	–2.1	–4.2	0.0	0.0	–6.2
Scheduled depreciation	–0.6	–1.4	0.0	0.0	–2.1
Impairments (unscheduled depreciation)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
Changes from currency conversions	0.0	0.0	0.0	0.0	0.0
Total 31/12/2014	–2.7	–5.6	0.0	0.0	–8.3
Closing balance as at 31/12/2014	63.9	5.1	0.0	0.0	68.9
Acquisition and manufacturing costs as at 01/01/2015	66.6	10.6	0.0	0.0	77.2
Additions	0.0	0.2	0.0	0.0	0.2
Disposals	0.0	–0.3	0.0	0.0	–0.3
Transfers	0.0	0.0	0.0	0.0	0.0
Changes from currency conversions	0.0	0.0	0.0	0.0	0.0
Total 31/12/2015	66.6	10.6	0.0	0.0	77.1
Accumulated depreciation as at 01/01/2015	–2.7	–5.6	0.0	0.0	–8.3
Scheduled depreciation	–0.6	–1.2	0.0	0.0	–1.8
Impairments (unscheduled depreciation)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.2	0.0	0.0	0.2
Changes from currency conversions	0.0	0.0	0.0	0.0	0.0
Total 31/12/2015	–3.3	–6.6	0.0	0.0	–9.9
Closing balance as at 31/12/2015	63.3	4.0	0.0	0.0	67.3

(35) Intangible assets

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Software	**12.0**	**11.2**	**7**
Acquired for a fee	12.0	11.2	7
Produced internally	0.0	0.0	-
Intangible assets under development	**2.1**	**0.0**	**> 100**
Other	**0.0**	**0.0**	**-**
Total	**14.1**	**11.2**	**26**

Completely depreciated software continues to be used at NORD/LB CBB.
The development of intangible assets is as follows:

	Software				
in millions of EUR	Acquired for a fee	Produced internally	Intangible assets under development	Other	Total
Acquisition and manufacturing costs as of 01/01/2014	**25.4**	**0.0**	**1.4**	**0.0**	**26.8**
Additions	0.8	0.0	2.2	0.0	3.0
Disposals	0.0	0.0	0.0	0.0	0.0
Transfers	3.6	0.0	–3.6	0.0	0.0
Total 31/12/2014	29.8	0.0	0.0	0.0	29.8
Accumulated depreciation as of 01/01/2014	–15.4	0.0	0.0	0.0	–15.4
Scheduled depreciation	–1.5	0.0	0.0	0.0	–1.5
Impairments (unscheduled depreciation)	–1.8	0.0	0.0	0.0	–1.8
Disposals	0.0	0.0	0.0	0.0	0.0
Total 31/12/2014	–18.6	0.0	0.0	0.0	–18.6
Closing balance as at 31/12/2014	11.2	0.0	0.0	0.0	11.2
Acquisition and manufacturing costs as at 01/01/2015	29.8	0.0	0.0	0.0	29.8
Additions	10.6	0.0	2.1	0.0	12.8
Disposals	12.6	0.0	0.0	0.0	12.6
Transfers	0.0	0.0	0.0	0.0	0.0
Total 31/12/2015	27.8	0.0	2.1	0.0	30.0
Accumulated depreciation as at 01/01/2015	–18.6	0.0	0.0	0.0	–18.6
Scheduled depreciation	–1.7	0.0	0.0	0.0	–1.7
Impairments (unscheduled depreciation)	0.0	0.0	0.0	0.0	0.0
Disposals	4.5	0.0	0.0	0.0	4.5
Total 31/12/2015	–15.8	0.0	0.0	0.0	–15.8
Closing balance as at 31/12/2015	12.0	0.0	2.1	0.0	14.1

(36) Assets available for disposal

The item of assets available for disposal according to IFRS 5 reported as at 31 December 2014 with a book value amounting to EUR 12.2 million (previous year: EUR 0.0 million) contains the book value of the investment in Skandifinanz AG, which was sold within the first quarter of 2015.

Name/headquarters	Capital share	Investment book value (in millions of EUR	Equity before the revaluation reserve (in millions of EUR)	Earnings (in millions of EUR)
Skandifinanz AG, Zurich	100%	12.2	13.2	–0.7

There were no assets available for disposal on the reporting date of 31 December 2015.

(37) Income tax assets

The income tax assets are divided up as follows:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Current income tax assets	0.1	0.0	> 100
Deferred tax assets	1.0	15.3	–94
Total	**1.0**	**15.3**	**–93**

Deferred tax assets depict the potential income tax relief from temporary differences between assets and liabilities in the IFRS balance sheet and the balance sheet in accordance with tax provisions.

The tax provisions have been applied to the IFRS financial statements since 2008. This means that a number of the temporary differences do not apply. The deferred tax assets relate to AfS-categorised financial investments and tax loss carryforwards recognised in profit and loss. Please refer to Note (25) Income tax assets for further information.

Deferred income tax assets were formed in conjunction with the following balance sheet items:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Assets			
Bank loans and advances	0.0	7.2	–100
Non-bank loans and advances	0.0	0.1	–100
Risk provisions	0.0	0.0	-
Financial investments	0.0	7.0	–100
Property, plant and equipment	0.0	0.0	-
Other assets	0.0	0.0	-
Liabilities			
Bank liabilities	0.0	0.0	-
Non-bank liabilities	0.0	0.0	-
Securitised liabilities	0.0	0.0	-
Financial liabilities measured at fair value through profit and loss	0.0	0.0	-
Fair value from hedge accounting	0.0	0.0	-
Provisions	1.0	1.0	–2
Other liabilities	0.0	0.0	-
Equity	0.0	0.0	-
Total	**1.0**	**15.3**	**–93.6**

(38) Other assets

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Tax assets from other taxes	1.4	0.0	> 100
Other assets	0.0	0.7	–100
Other assets including accruals and deferrals	1.3	1.9	–33
Total	**2.7**	**2.6**	**3**

Other assets mainly consist of accruals and deferrals (EUR 0.7 million; previous year: EUR 1.9 million).

(39) Liabilities to banks

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Deposits from other banks	**2,576.0**	**3,147.8**	**–18**
Domestic financial institutions	25.5	0.0	> 100
Foreign financial institutions	2,550.5	3,147.8	–19
Liabilities from money market transactions	**4,550.7**	**5,758.9**	**–21**
Domestic financial institutions	838.6	1,402.5	–40
Foreign financial institutions	3,712.1	4,356.4	–15
Other liabilities	**499.7**	**1.5**	**> 100**
Domestic financial institutions	298.0	0.0	> 100
Due daily	298.0	0.0	> 100
Limited	0.0	0.0	-
Foreign financial institutions	201.7	1.5	> 100
Due daily	201.7	1.5	> 100
Limited	0.0	0.0	-
Total	**7,626.4**	**8,908.2**	**–14**

EUR 2,190.5 million (previous year: EUR 2,083.0 million) of the overall portfolio is attributable to liabilities which are only due after more than 12 months have passed.

The Bank issued a registered promissory note during the 2012 financial year with a volume of EUR 400.0 million and sold it to NORD/LB. This promissory note, which lasts until 2017, is endowed with the right to be converted and replaced with a subordinate promissory note of the same nominal volume if a stipulated core capital ratio is not attained. EUR 200.0 million was recouped in advance during the 2014 financial year with the approval of the CSSF and replaced with another refinancing instrument without special rights of the same amount with NORD/LB. The remaining EUR 200.0 million is still held by NORD/LB CBB.

(40) Liabilities to customers

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Savings deposits	**0.0**	**0.0**	**-**
Liabilities from money market transactions	**1,839.5**	**2,004.1**	**–8**
Domestic customers	463.5	1,167.6	–60
Foreign customers	1,376.1	836.5	65
Other liabilities	1,381.9	1,135.3	22
Domestic customers	178.0	29.3	> 100
Due daily	178.0	29.3	> 100
Limited	0.0	0.0	-
Foreign customers	1,203.9	1,106.1	9
Due daily	110.0	120.0	–8
Limited	1,093.9	986.0	11
Total	**3,221.4**	**3,139.4**	**3**

EUR 1,056.8 million of the total customer liabilities held will be due after the next 12 months (previous year: EUR 992.3 million).

(41) Securitised liabilities

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Debentures issued	3,114.2	2,650.6	17
Money market papers/commercial papers	0.0	0.0	-
Other securitised liabilities	0.0	0.0	-
Total	**3,114.2**	**2,650.6**	**17**

EUR 3,078.9 million (previous year: EUR 1,173.5 million) of the overall portfolio is attributable to liabilities which are only due after more than 12 months have passed. The issued debentures are listed on the Luxembourg or Swiss stock exchange. Some (EUR 1,809.8 million; previous year: EUR 1,238.6 million) of the issued debentures are covered bonds under Luxembourg Law (Lettres de Gage). EUR 1,742.5 million of this amount are listed on the Luxembourg stock exchange (previous year: EUR 1,008.2 million). Lettres de Gage are listed on the Swiss stock exchange at an equivalent of EUR 67.3 million (previous year: EUR 230.4 million).

(42) Financial liabilities measured at fair value through profit and loss

This item includes the liabilities held for trading (HfT) and financial liabilities designated at fair value (dFV).

The trading liabilities include negative fair values from derivative financial instruments which are not employed as part of hedge accounting and delivery obligations from short-selling securities.

The category of financial liabilities designated at fair value is currently not being used.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Trading liabilities	**204.6**	**178.4**	**15**
Negative fair values from derivatives in conjunction with:	204.6	178.4	15
Interest rate risks	167.9	135.9	24
Currency risks	36.7	42.5	–14
Share and other price risks	0.0	0.0	-
Credit derivatives	0.0	0.0	-
Delivery obligations from short-selling	0.0	0.0	-
Financial liabilities designated at fair value	**0.0**	**0.0**	**-**
Liabilities to banks and customers	0.0	0.0	-
Securitised liabilities	0.0	0.0	-
Total	204.6	178.4	15

Trading liabilities amounting to EUR 175.2 million are due after 12 months at the earliest (previous year: EUR 147.1 million).

(43) Fair values from hedge accounting

This item comprises negative fair values of hedge instruments from effective micro fair-value hedges. The Bank conducts micro fair-value hedge accounting for hedging interest rate and currency risks.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Fair values from allocated micro fair-value hedge derivatives	791.8	916.4	–14
Fair values as part of portfolio fair-value hedge accounting	0.0	0.0	-
Total	**791.8**	**916.4**	**–14**

Hedge derivatives with a negative fair value of EUR 771.2 million are due after 12 months at the earliest (previous year: EUR 900.7 million).

(44) Provisions

The provisions are divided up as follows:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Pension provisions and similar liabilities	**3.8**	**3.8**	**0**
Other provisions	**18.1**	**6.2**	**> 100**
Provisions in the lending business	0.9	1.0	–15
Provisions for uncertain liabilities	17.3	5.2	> 100
Total	**22.0**	**10.0**	**> 100**

The provisions for uncertain liabilities are essentially personnel provisions (EUR 4.2 million; previous year: EUR 3.5 million), organisation and IT provisions (EUR 1.2 million; previous year: EUR 1.6 million) and provisions for ongoing legal proceedings and process risks (EUR 11.8 million; previous year: EUR 0.0 million).

Pension provisions and similar liabilities

The calculation is based on the following actuarial assumptions:

Actuarial assumptions	31/12/2015 (in %)	31/12/2014 (in %)	Change (in %)
Annual salary development	1.00	1.00	0
Annual inflation rate	2.50	2.50	0
Annual increase in the BBG (cost-of-living index included)	3.46	3.79	–9
Discount rate	2.65	2.20	20
Mortality table: statistical values published in the Grand Duchy regulation dated 15 January 2001 which governs the minimal funding of company provisions.			
Expected return on plan assets	2.65	2.20	20
Turnover rate	2.00	2.00	0

The pension provisions and similar liabilities are derived as follows:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Cash value of the performance-oriented obligation	6.3	6.3	0
Less fair value of plan assets	–3.1	–3.1	0
Excess of plan assets not recognised as an asset	0.0	0.0	-
Other amounts recognised in the balance sheet (flat-rate tax)	0.6	0.7	–9
Total	**3.8**	**3.8**	**0**

The cash value of the performance-oriented obligation can be transferred from the opening to the closing balance of the period taking into account the effects of the items listed:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Opening balance	6.3	6.1	3
Current service cost	0.4	0.4	3
Interest expenses	0.1	0.2	–39
Contributions from the plan participants	0.0	0.0	-
Actuarial gains/losses from the liability	–0.2	1.3	> 100
Changes from the currency conversion	0.0	0.0	-
Benefits paid	–0.3	–0.2	> 100
Past service cost	0.0	0.0	-
Effects from planned reductions	0.0	0.0	-
Effects from severance payments/transfers (settlements)	0.0	–1.6	–100
Closing balance	**6.3**	**6.3**	**0**

The performance-oriented obligation on the balance sheet date must also be divided into amounts from performance-oriented plans which are not financed by a fund and amounts from performance-oriented plans which are financed in whole or in part from one fund. The latter applies to the performance-oriented obligation of NORD/LB Luxembourg. Empirical adjustments to the development of plan liabilities and plan assets amount to KEUR 96 according to information from the insurance company (previous year: KEUR –248). The performance-oriented plans include actuarial risks such as, for example, the longevity risk, currency risk and market risk.

The salary development and the actuarial interest are the main influential factors here. The following analysis indicates the sensitivity of the cash value from the performance-oriented obligations in relation to these two factors in the event of a change by +/–1.0% under parameters that are otherwise constant:

	Increase (Delta cash value in millions of EUR)	Decrease (Delta cash value in millions of EUR)
Actuarial interest	–1.0	+1.1
Salary	+1.5	–1.4

The fair value of the plan assets developed as follows:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Opening balance	3.1	3.9	–19
Expected income from plan assets	0.1	0.1	–9
Actuarial gains/losses from plan assets	0.0	0.0	–37
Changes from the currency conversion	0.0	0.0	-
Contributions from the employer	0.3	0.3	–5
Contributions from the plan participants	0.0	0.0	-
Benefits paid	–0.3	–0.2	> 100
Effects from severance payments/transfers (settlements)	0.0	–1.0	–100
Closing balance	**3.1**	**3.1**	**1**

The fair value of plan assets is composed as follows:

	31/12/2015 (in %)	31/12/2014 (in %)	Change (in %)
Equity instruments	4	4	6
Debt instruments	92	92	0
Properties	2	2	–5
Other assets	2	3	–16

The fair value of plan assets includes equity instruments amounting to KEUR 124 (previous year: KEUR 119), debt instruments amounting to KEUR 2,851 (previous year: KEUR 2,874) and properties and other assets amounting to KEUR 121 (previous year: KEUR 134). The total anticipated yield of 2.65% results from the weighted average of the anticipated income from investment categories held by the plan assets. The total payments to the plan assets of the performance-oriented obligations during the next reporting period are expected to amount to KEUR 101 (previous year: KEUR 394). The pension expenses are composed as follows:

	31/12/2015 (in KEUR)	31/12/2014 (in KEUR)	Change (in %)
Current service cost	391	381	3
Interest expenses	140	228	–39
Expected income from plan assets	–94	–103	–9
Past service cost	0	0	-
Effects from plan amendments	0	0	-
Expected income from reimbursement claims	–165	1,277	> 100
Total	**271**	**1,782**	**–85**

Overview of amounts from the current reporting period and the preceding reporting periods:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	31/12/2013 (in millions of EUR)	31/12/2012 (in millions of EUR)	31/12/2011 (in millions of EUR)	31/12/2010 (in millions of EUR)	31/12/2009 (in millions of EUR)
Defined benefit obligation (DBO)	6.3	6.3	6.1	5.4	3.3	3.8	3.5
Plan assets	–3.1	–3.1	–3.9	–3.8	–2.6	–2.6	–2.5
Deficit	3.1	3.1	2.2	1.6	0.7	1.2	1.1
Actuarial gains/ losses	–0.2	1.3	0.5	1.5	0.4	0.1	–0.1
Empirical amendments to the defined benefit obligation (DBO) and plan assets	0.1	–0.2	–0.7	0.9	0.1	0.3	0.4

The other provisions developed as follows during the reporting period:

in millions of EUR	Provisions in the lending business	Restructuring provisions	Provisions for impending losses	Provisions for uncertain liabilities: from the personnel sector	Provisions for uncertain liabilities: Other	Provisions from the insurance business	Total
Opening balance	**1.0**	**0.0**	**0.0**	**3.5**	**1.6**	**0.0**	**6.2**
Changes from currency conversion	0.5	0.0	0.0	0.0	0.0	0.0	0.5
Claims	0.0	0.0	0.0	–0.6	–0.8	0.0	–1.4
Reversals	–0.5	0.0	0.0	0.0	–0.2	0.0	–0.8
Transfers	–0.1	0.0	0.0	0.0	0.0	0.0	–0.1
Allocations	0.0	0.0	0.0	1.2	12.4	0.0	13.7
Closing balance	**0.9**	**0.0**	**0.0**	**4.2**	**13.1**	**0.0**	**18.1**

(45) Income tax liabilities

The income tax liabilities are divided up as follows:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Current income tax liabilities	3.9	0.5	> 100
Deferred tax liabilities	11.5	27.5	–58
Total	**15.3**	**28.0**	**–45**

Deferred tax liabilities depict the potential income tax burden from temporary differences between the values of the assets and liabilities in the IFRS balance sheet and the tax values in accordance with the tax provisions. The tax provisions have been applied to the IFRS financial statements since the 2008 reporting period. This means that a number of the temporary differences do not apply (see table below).

The deferred tax liabilities relate to the following balance sheet items:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Assets			
Bank loans and advances	0.0	0.0	-
Non-bank loans and advances	0.0	0.0	-
Risk provisions	0.0	0.0	-
Financial assets	6.1	0.0	100
Liabilities			
Bank liabilities	0.0	4.9	–100
Non-bank liabilities	0.0	1.4	–100
Securitised liabilities	0.0	9.1	–100
Provisions	0.0	2.5	–100
Other liabilities	0.0	0.6	–100
Equity	5.4	9.0	–40
Total	**11.5**	**27.5**	**–58**

(46) Other liabilities

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Liabilities from outstanding invoices	8.9	5.8	53
Liabilities from short-term employee remuneration	5.7	6.0	–6
Accruals and deferrals	2.0	2.3	–13
Liabilities from payable taxes and social insurance contributions	3.0	3.1	–2
Other liabilities	1.3	2.2	–38
Total	**20.9**	**19.4**	**8**

The liabilities from short-term employee remuneration consist of outstanding leave entitlement, compensation payments and emoluments.

(47) Subordinated capital

The subordinate liabilities are only paid back after the claims of all prior-ranking creditors have been settled. They meet the requirements of the CRR in terms of crediting regulatory supplementary capital. The crediting of capital is dependent on the remaining term.

The expenses for subordinate liabilities amounted to KEUR 393 in the reporting period (previous year: KEUR 532).

The amendments shown in the table result from accumulated interest and exchange rate fluctuations.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Subordinate liabilities	114.9	103.0	12
Participation rights capital	0.0	0.0	-
Contributions from silent partners	0.0	0.0	-
Total	**114.9**	**103.0**	**12**

Business type	Nominal amount (in millions of USD)	Accrued interest (in millions of USD)	Rate as at 31/12/2015	Balance sheet value (in millions of EUR)	Term in years	Interest rates (in %)	Maturity date
Subordinate loan	60.0	0.0	1.0887	55.2	15	0.5139	08/06/16
Subordinate loan	65.0	0.0	1.0887	59.7	15	1.0467	31/12/17
Total	**125.0**	**0.0**		**114.9**			

The subordinated capital has a variable interest rate.

Other disclosures

(48) Notes to the statement of income and accumulated earnings

The income tax effects are attributable to the individual components of the elements of financial performance recorded directly in equity as follows:

in KEUR	Amount before taxes 2015	Income tax effect 2015	Amount after taxes 2015	Amount before taxes 2014	Income tax effect 2014	Amount after taxes 2014
Change from available for sale (AfS) financial instruments	–3,139	917	–2,222	48,408	–14,145	34,263
Actuarial gains/losses from performance-related pension provisions	164	–48	116	–1,591	467	–1,124
Conversion differences of foreign business entities	0	0	0	–6,312	0	–6,312
Income recorded directly in equity	**–2,975**	**869**	**–2,106**	**40,505**	**–13,677**	**26,828**
Of which attributable to shareholders	–2,975	869	–2,106	40,505	–13,677	26,828
Of which attributable to non-controlling interests	0	0	0	0	0	0

(49) Notes to the statement of changes in equity

The subscribed capital of NORD/LB CBB amounts to EUR 205.0 million (previous year: EUR 205.0 million) as at 31 December 2015. It is divided into 820,000 bearer shares without a nominal value (previous year: 820,000 bearer shares). The subscribed capital is fully paid up. No changes occurred over the course of the reporting period.

Information on the individual equity components and their development in 2014 and 2015 can be found in the statement of changes in equity.

The amounts formed in the previous reporting periods and the adjustments to reserves and profit carried forward from the annual net profits are included in retained earnings. The negative differences (badwill) calculated as part of the initial consolidation are also deducted from retained earnings.

The effects from the valuation of available for sale financial instruments (AfS) are reported under the item 'Revaluation reserve'.

The Bank has made use of the taxation option of imputing annual wealth tax in previous years and earmarked five times the amount of the imputed wealth tax as restricted in the free reserves, taking into account the five-year commitment period.

The following overview shows the formation of reserves through wealth tax:

Year	NORD/LB CBB wealth tax	NORD/LB Luxembourg wealth tax	NORD/LB CFB wealth tax	Total	Formation of reserves (= five times the imputed wealth tax)	Committed until
2011	-	3.4	0.3	3.7	18.2	31/12/2016
2012	-	2.3	0.3	2.6	13.0	31/12/2017
2013	-	2.8	0.1	2.8	14.2	31/12/2018
2014	-	2.7	0.3	3.1	15.3	31/12/2019
2015	3.3	-	-	3.3	16.3	31/12/2020
Total	**14.1**	**14.1**	**1.3**	**15.5**	**77.0**	

(50) Notes to the cash flow statement

The cash flow statement shows the change in cash and cash equivalents in the reporting period through the payment flows from operating activities, investment activities and financing activities. Cash and cash equivalents are defined as the cash reserve (cash on hand, deposits with central banks, public-sector debt instruments and bills of exchange which are approved for refinancing from central banks).

The cash flow statement is established based on the indirect method. Cash flow from operating activities is calculated based on net income before taxes, with those expenses initially being allocated and that income initially being deducted which were/was not reflected in cash during the reporting period. All expenses and income which may have been reflected in cash, but cannot be allocated to the operating business division, are also eliminated. These payments are taken into account in the cash flows from investment or financing activities.

Payments from loans and advances to banks and customers, securities of the trading portfolio, liabilities to banks and customers and securitised liabilities are reported as part of the cash flow from operating activities based on the recommendations of the IASB.

Cash flow from investment activities comprises payment transactions for the investment and securities portfolio of the financial assets and incoming and outgoing payments for property, plant and equipment.

Cash flow from financing activities includes payment flows from capital adjustments, interest rate payments on subordinated capital and dividend payments to the shareholders of the Bank.

As far as the liquidity risk management of NORD/LB CBB is concerned, reference is made to the statements of the risk report in the management report.

Notes to the financial instruments

(51) Remaining terms of financial liabilities and contingent liabilities

As at 31 December 2015:

in millions of EUR	< 1 month	1 month < 3 months	3 months < 1 year	1 year < 5 years	> 5 years	Total
Liabilities to banks	2,513.5	1,269.5	1,652.8	860.8	1,329.7	7,626.4
Liabilities to customers	1,421.7	389.1	353.7	139.0	917.8	3,221.4
Securitised liabilities	0.0	0.0	35.3	2,373.8	705.1	3,114.2
Financial obligations measured at fair value through profit and loss (without derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated capital	0.0	0.0	55.2	59.7	0.0	114.9
Irrevocable credit commitments	137.9	24.0	209.5	980.8	49.7	1,401.9
Financial guarantees	0.0	37.2	2.3	65.8	54.7	160.0
Total	**4.073,2**	**1.719,8**	**2.308,9**	**4.480,0**	**3.057,0**	**15.638,7**

As at 31 December 2014:

in millions of EUR	< 1 month	1 month < 3 months	3 month < 1 year	1 year < 5 years	> 5 years	Total
Liabilities to banks	4,494.9	1,199.9	1,130.4	813.4	1,269.6	8,908.2
Liabilities to customers	1,971.2	72.8	103.1	131.8	860.5	3,139.4
Securitised liabilities	68.0	0.0	1,409.2	594.3	579.2	2,650.8
Financial obligations measured at fair value through profit and loss (without derivatives)	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated capital	0.0	0.0	0.0	103.0	0.0	103.0
Irrevocable credit commitments	42.4	47.9	128.7	948.6	254.6	1,422.2
Financial guarantees	10.0	32.9	2.8	70.0	63.6	179.3
Total	**6,586.5**	**1,353.5**	**2,774.2**	**2,661.1**	**3,027.5**	**16,402.8**

The remaining term is defined as the remaining time from the balance sheet date to the contractual due date.

Further information on the liquidity risk can be found within the management report in the risk report, 'Liquidity risk' section. This report provides details on liquidity management, the management and measurement of liquidity risks and reporting, and examines the development in 2015 and the outlook in more detail.

(52) Book values by valuation categories

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Assets			
Financial assets at fair value through profit or loss	1,577.4	1,696.6	–7
Financial assets held for trading	383.2	662.5	–42
Financial assets designated at fair value through profit or loss	1,194.2	1,034.1	15
Available for sale assets	**3,139.7**	**4,360.8**	**–28**
Loans and receivables	**11,029.5**	**10,514.3**	**5**
Total	**15,746.6**	**16,571.8**	**–5**
Liabilities			
Financial liabilities at fair value through profit or loss	**996.4**	**1,094.9**	**–9**
Financial liabilities held for trading	996.4	1,094.9	–9
Financial liabilities designated at fair value through profit or loss	0.0	0.0	-
Other liabilities	**14,076.8**	**14,801.3**	**–5**
Total	**15,073.2**	**15,896.2**	**–5**

The fair values of underlying transactions from hedge accounting within the meaning of IAS 39 are allocated to the relevant category, while the fair values of hedge transactions are reflected in the HfT items. Only financial instruments were considered here.

(53) Net earnings by valuation categories

	2015 (in KEUR)	2014 (in KEUR)	Change (in %)
Financial instruments at fair value through profit or loss	**–99,723**	**–110,113**	**–9**
Financial instruments held for trading	–110,563	–175,308	–37
Financial instruments designated at fair value through profit or loss	10,840	65,195	–83
Available for sale assets	**67,763**	**108,485**	**–38**
Loans and receivables	**291,550**	**267,817**	**9**
Other liabilities	**–160,605**	**–172,175**	**–7**
Total	**98,985**	**94,015**	**5**

Earnings from hedge accounting are not included in net earnings as they are not allocated to any of the categories. The loan loss provisions are explained in the following note as they are also not part of these categories.

(54) Impairment losses/reversals of impairment losses by valuation categories

	2015 (in KEUR)	2014 (in KEUR)	Change (in %)
Available for sale assets			
Earnings from specific valuation allowances of AfS financial investments	–401	–8,246	–95
Earnings from direct write-downs of loans and advances / Income on loans and advances written down	0.0	0.0	-
Total	**–401**	**–8,246**	**–95**
Loans and receivables			
Earnings from specific valuation allowances of LaR financial investments	–2,190	–5,483	–60
Earnings from portfolio-based valuation allowances of LaR financial investments	817	957	< –100
Earnings from the formation/resolution of provisions in the lending business	542	8,827	–94
Earnings from direct write-downs of loans and advances / Income on loans and advances written down	847	–65	< –100
Total	**16**	**4,237**	**< –100**

(55) Fair-value hierarchy

The following tables show the application of the fair-value hierarchy for financial assets and liabilities recognised at fair value through profit or less or not affecting profit or loss:

31/12/2015 in millions of EUR	Level 1 (Mark to Market)	Level 2 (Mark to Matrix)	Level 3 (Mark to Model)	Total
Trading assets	**0.0**	**92.8**	**0.0**	**92.8**
Debentures and other fixed-interest securities	0.0	9.6	0.0	9.6
Positive fair values from derivatives	0.0	83.2	0.0	83.2
Interest rate risks	0.0	45.9	0.0	45.9
Currency risks	0.0	37.3	0.0	37.3
Financial assets designated at fair value	**946.3**	**247.9**	**0.0**	**1,194.2**
Positive fair values from hedge accounting derivatives	0.0	290.4	0.0	290.4
Interest rate risks	0.0	231.6	0.0	231.6
Currency risks	0.0	58.8	0.0	58.8
Financial investments (measured at fair value)	**2,161.2**	**978.4**	**0.0**	**3,139.7**
Debentures and other fixed-interest securities	2,161.2	978.4	0.0	3,139.7
Shares and other non-fixed-interest securities	0.0	0.0	0.0	0.0
Assets	**3,107.5**	**1,609.5**	**0.0**	**4,717.1**
Trading liabilities	**0.0**	**204.6**	**0.0**	**204.6**
Negative fair values from derivatives	0.0	204.6	0.0	204.6
Interest rate risks	0.0	167.9	0.0	167.9
Currency risks	0.0	36.7	0.0	36.7
Financial liabilities designated at fair value	**0.0**	**0.0**	**0.0**	**0.0**
Negative fair values from hedge accounting derivatives	**0.0**	**791.8**	**0.0**	**791.8**
Interest rate risks	0.0	688.1	0.0	688.1
Currency risks	0.0	103.7	0.0	103.7
Liabilities	**0.0**	**996.4**	**0.0**	**996.4**

31/12/2014 in millions of EUR	Level 1 (Mark to Market)	Level 2 (Mark to Matrix)	Level 3 (Mark to Model)	Total
Trading assets	**130.2**	**172.2**	**0.0**	**302.4**
Debentures and other fixed-interest securities	130.2	7.3	0.0	137.5
Positive fair values from derivatives	0.0	164.9	0.0	164.9
Interest rate risks	0.0	62.5	0.0	62.5
Currency risks	0.0	102.4	0.0	102.4
Financial assets designated at fair value	**934.6**	**99.5**	**0.0**	**1,034.1**
Positive fair values from hedge accounting derivatives	**0.0**	**360.2**	**0.0**	**360.2**
Interest rate risks	0.0	294.1	0.0	294.1
Currency risks	0.0	66.1	0.0	66.1
Financial investments (measured at fair value)	**3,547.9**	**813.0**	**0.0**	**4,360.8**
Debentures and other fixed-interest securities	3,547.8	812.9	0.0	4,360.8
Shares and other non-fixed-interest securities	0.1	0.0	0.0	0.1
Assets	**4,612.6**	**1,444.8**	**0.0**	**6,057.5**
Trading liabilities	**0.0**	**178.4**	**0.0**	**178.4**
Negative fair values from derivatives	0.0	178.4	0.0	178.4
Interest rate risks	0.0	135.9	0.0	135.9
Currency risks	0.0	42.5	0.0	42.5
Financial liabilities designated at fair value	**0.0**	**0.0**	**0.0**	**0.0**
Negative fair values from hedge accounting derivatives	**0.0**	**916.4**	**0.0**	**916.4**
Interest rate risks	0.0	823.1	0.0	823.1
Currency risks	0.0	93.4	0.0	93.4
Liabilities	**0.0**	**1,094.9**	**0.0**	**1,094.9**

The Bank held no Level 3 securities on the valuation reporting date.

The transfers within the fair value hierarchy are as follows:

01/01–31/12/2015 in millions of EUR	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Trading assets	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value	188.4	0.0	22.8	0.0	0.0	0.0
Financial investments (measured at fair value)	269.3	0.0	174.0	0.0	0.0	0.0
Assets	**457.7**	**0.0**	**196.8**	**0.0**	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Two securities in the category 'Financial assets designated at fair value' changed from the matrix valuation (Level 2) to the market valuation (Level 1), and four securities changed from the market valuation (Level 1) to the matrix valuation (Level 2). Eight securities from the AfS category also changed from the matrix valuation (Level 2) to the market valuation (Level 1). Seven securities also switched from Level 1 to Level 2. As far as the overall securities portfolio of NORD/LB CBB is concerned, the level transfers amounted to around 4%.

The following level transfers were made in the previous year:

01/01–31/12/2014 in millions of EUR	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Trading assets	0.0	0.0	40.6	0.0	0.0	0.0
Financial investments (measured at fair value)	0.0	0.0	770.4	0.0	0.0	0.0
Assets	**0.0**	**0.0**	**811.0**	**0.0**	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

A total of 35 securities changed from the matrix valuation (Level 2) to the market valuation (Level 1). As far as the overall securities portfolio of NORD/LB Luxembourg Group is concerned, the level transfers amounted to around 15%.

The financial assets and financial liabilities were not in Level 3 during the reporting period or in the previous year.

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

in millions of EUR	Financial investments (measured at fair value)	Total assets
Opening balance as at 01/01/2014	**0.0**	**0.0**
Income statement effect	0.0	0.0
Purchasing effect	0.0	0.0
Purchases	0.0	0.0
Sales	0.0	0.0
Repayments	0.0	0.0
Addition from Levels 1 and 2	0.0	0.0
Withdrawal in Levels 1 and 2	0.0	0.0
Currency conversion	0.0	0.0
Closing balance as at 31/12/2014	**0.0**	**0.0**
Opening balance as at 01/01/2015	**0.0**	**0.0**
Income statement effect	0.0	0.0
Purchasing effect	0.0	0.0
Purchases	0.0	0.0
Sales	0.0	0.0
Repayments	0.0	0.0
Addition from Levels 1 and 2	0.0	0.0
Withdrawal in Levels 1 and 2	0.0	0.0
Currency conversion	0.0	0.0
Closing balance as at 31/12/2015	**0.0**	**0.0**

Financial assets and liabilities are added on the acquisition date at market prices. There was no initial valuation at Level 3 in either reporting period and a day-one profit or loss did not occur as a result.

The following table shows the allocation of the fair values of assets and liabilities which are not measured at fair value in the balance sheet, but for which the fair value is indicated in the notes based on the fair-value hierarchy:

31/12/2015 in millions of EUR	Level 1 (Mark to Market)	Level 2 (Mark to Matrix)	Level 3 (Mark to Model)	Total
Cash reserve	29.1	0.0	55.0	84.1
Loans and advances to banks	813.5	257.5	439.4	1,510.4
Loans and advances to customers	77.5	82.6	6,870.5	7,030.6
Financial investments not accounted for at fair value	0.0	2,435.1	0.0	2,435.1
Assets	**920.1**	**2,775.1**	**7,364.9**	**11,060.2**
Liabilities to banks	907.9	0.0	6,951.6	7,859.5
Liabilities to customers	287.9	0.0	2,954.9	3,242.8
Securitised liabilities	0.0	0.0	3,108.8	3,108.8
Subordinated capital	0.0	0.0	114.9	114.9
Liabilities	**1,195.8**	**0.0**	**13,130.2**	**14,326.0**

31/12/2014 in millions of EUR	Level 1 (Mark to Market)	Level 2 (Mark to Matrix)	Level 3 (Mark to Model)	Total
Cash reserve	2.5	0.0	0.0	2.5
Loans and advances to banks	768.4	270.3	362.4	1,401.0
Loans and advances to customers	121.2	137.5	6,163.7	6,422.3
Financial investments not accounted for at fair value	109.0	2,600.6	0.0	2,709.6
Assets	**1,001.0**	**3,008.3**	**6,526.1**	**10,535.4**
Liabilities to banks	576.0	0.0	8,572.9	9,148.9
Liabilities to customers	1,233.9	0.0	1,894.4	3,128.3
Securitised liabilities	0.0	0.0	2,655.2	2,655.2
Subordinated capital	0.0	0.0	103.0	103.0
Liabilities	**1,810.0**	**0.0**	**13,225.5**	**15,035.4**

(56) Fair value of financial instruments

The fair values of financial instruments which are applied in the balance sheet at amortised cost (LaR) or with the hedge fair value (LaR) are compared with the book values in the following table.

in millions of EUR	Fair value 31/12/2015	Book value 31/12/2015	Difference 31/12/2015	Fair value 31/12/2014	Book value 31/12/2014	Difference 31/12/2014
Assets	**11,020.3**	**11,029.6**	**–9.3**	**10,489.9**	**10,516.0**	**–26.0**
Cash reserve	84.1	84.1	0.0	2.5	2.5	0.0
Loans and advances to banks	1,510.4	1,510.0	0.4	1,401.0	1,398.8	2.2
Loans and advances to customers	7,030.6	6,768.8	261.8	6,422.3	6,199.1	223.2
Financial investments	2,435.1	2,706.5	–271.5	2,701.2	2,952.6	–251.5
Risk provisions	–39.9	–39.9	0.0	–37.1	–37.1	0.0
Loans and advances according to the risk provisions	**10,936.1**	**10,945.4**	**–9.3**	**10,487.5**	**10,513.5**	**–26.0**
Liabilities	**14,326.0**	**14,076.8**	**249.1**	**15,035.4**	**14,801.3**	**234.2**
Liabilities to banks	7,859.5	7,626.4	233.1	9,148.9	8,908.2	240.7
Liabilities to customers	3,242.8	3,221.4	21.4	3,128.3	3,139.4	–11.1
Securitised liabilities	3,108.8	3,114.2	–5.5	2,655.2	2,650.6	4.6
Subordinated capital	114.9	114.9	0.0	103.0	103.0	0.0

The fair values are calculated according to the discounted cash flow method based on the interest structure curves valid on the reporting date.
The amounts listed in the 'Book value' column include assets and liabilities reported in the balance sheet at amortised cost or with the hedge fair value or full fair value. If a hedge fair value or a full fair value is employed as a book value, this value will also be listed in the 'Fair value' column.
The hidden liabilities on financial investments increased by EUR 20.0 million to EUR 271.5 million (previous year: EUR 251.5 million). There were no Level 3 assets as at 31 December 2015.

(57) Derivative financial instruments

The Bank employs derivative financial instruments for hedging purposes as part of asset/liability management.
Derivative financial instruments in foreign currencies are mainly concluded in the form of forward exchange transactions, currency swaps and interest rate currency swaps. Interest rate derivatives are primarily interest rate swaps.

The nominal values represent the gross volume of all purchases and sales. This value is a reference variable for calculating mutually agreed compensation payments, but not loans, advances or liabilities recognised in the balance sheet.
The portfolio of derivative financial instruments is composed as follows:

in millions of EUR	Nominal values 31/12/2015	Nominal values 31/12/2014	Positive market values 31/12/2015	Positive market values 31/12/2014	Negative market values 31/12/2015	Negative market values 31/12/2014
Interest rate risks	**8,617.1**	**9,689.5**	**277.5**	**356.5**	**856.0**	**959.0**
Interest rate swaps	7,999.7	8,898.4	277.5	352.1	856.0	959.0
Caps, floors	20.0	30.0	0.0	0.0	0.0	0.0
Stock exchange contracts	597.4	609.4	0.0	0.0	0.0	0.0
Other interest rate futures	0.0	151.6	0.0	4.5	0.0	0.0
Currency risks	**3,947.2**	**6,598.4**	**96.1**	**168.5**	**140.4**	**135.9**
Forward exchange transactions	2,422.7	3,346.0	26.5	71.7	6.3	9.7
Currency swaps/interest rate currency swaps	1,524.5	3,252.4	69.5	96.8	134.1	126.2
Share and other price risks	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Credit derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	12,564.2	16,287.9	373.6	525.0	996.4	1,094.9

The remaining terms of the derivative financial instruments are specified in the table below:

Nominal values in millions of EUR	Interest rate risks 31/12/2015	Interest rate risks 31/12/2014	Currency risks 31/12/2015	Currency risks 31/12/2014	Share and other price risks 31/12/2015	Share and other price risks 31/12/2014	Credit derivatives 31/12/2015	Credit derivatives 31/12/2014
Remaining terms								
Up to 3 months	931.8	940.9	2,303.0	3,302.7	0.0	0.0	0.0	0.0
More than 3 months, up to 1 year	839.6	1,115.5	401.9	709.9	0.0	0.0	0.0	0.0
More than 1 year, up to 5 years	3,584.6	4,523.7	237.7	682.5	0.0	0.0	0.0	0.0
More than 5 years	3,261.1	3,109.3	1,004.7	1,903.3	0.0	0.0	0.0	0.0
Total	**8,617.1**	**9,689.5**	**3,947.2**	**6,598.4**	**0.0**	**0.0**	**0.0**	**0.0**

The period between the balance sheet date and the contractual due date is regarded as the remaining term. The positive and negative market values of the derivative transactions are divided up in the following table according to the relevant counterparties:

in millions of EUR	Nominal values 31/12/2015	Nominal values 31/12/2014	Positive market values 31/12/2015	Positive market values 31/12/2014	Negative market values 31/12/2015	Negative market values 31/12/2014
Banks in the OECD	11,906.9	15,320.8	356.7	496.9	987.6	1,084.5
Banks outside the OECD	461.2	527.0	1.8	9.6	0.6	1.0
Public authorities in the OECD	35.0	0.0	0.0	0.0	8.2	0.0
Other counterparties (including stock exchange contracts)	161.2	440.0	15.1	18.6	0.0	9.4
Total	**12,564.2**	**16,287.9**	**373.6**	**525.0**	**996.4**	**1,094.9**

(58) Information on selected countries

The following table shows the balance sheet values of the transactions performed in selected countries. The state information also encompasses regional governments, municipalities and state-affiliated companies. The Bank has no transactions with the selected countries shown in the categories HfT and dFV.

31/12/2015 in millions of EUR	Available for sale assets	Loans and receivables
Portugal		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0
Corporates/Other	0.0	25.2
Total	**0.0**	**25.2**
Ireland		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	0.0	84.7
Corporates/Other	0.0	0.5
Total	**0.0**	**85.2**
Italy		
Sovereign exposure	106.5	39.4
Financing institutions/Insurance companies	63.1	52.7
Corporates/Other	0.0	0.2
Total	**169.6**	**92.3**
Greece		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0
Corporates/Other	0.0	0.0
Total	**0.0**	**0.0**
Hungary		
Sovereign exposure	0.0	86.6
Financing institutions/Insurance companies	0.0	0.0
Corporates/Other	0.0	0.0
Total	**0.0**	**86.6**
Spain		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	136.9	255.6
Corporates/Other	0.0	2.4
Total	**136.9**	**258.0**

31/12/2014 in millions of EUR	Available for sale assets	Loans and receivables
Portugal		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0
Corporates/Other	0.0	30.4
Total	**0.0**	**30.4**
Ireland		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	0.0	82.7
Corporates/Other	0.0	10.1
Total	**0.0**	**92.8**
Italy		
Sovereign exposure	99.7	70.8
Financing institutions/Insurance companies	117.9	52.0
Corporates/Other	0.0	7.3
Total	**217.6**	**130.1**
Greece		
Sovereign exposure	0.1	0.0
Financing institutions/Insurance companies	0.0	0.0
Corporates/Other	0.0	0.0
Total	**0.1**	**0.0**
Hungary		
Sovereign exposure	0.0	119.0
Financing institutions/Insurance companies	0.0	0.0
Corporates/Other	0.0	0.0
Total	**0.0**	**119.0**
Spain		
Sovereign exposure	0.0	0.0
Financing institutions/Insurance companies	189.7	256.1
Corporates/Other	0.0	6.1
Total	**189.7**	**262.2**

There were no exposures in Egypt, Slovenia and Cyprus during the reporting period.

The aforementioned figures do not contain credit derivatives.

The accumulated valuation result in equity less the aforementioned selected countries amounts to EUR –11.3 million (previous year: EUR –22.8 million) for the financial instruments from the category Available for Sale with amortised cost amounting to EUR 282.0 million (previous year: EUR 386.8 million). No write-downs were recorded in the profit and loss statement for the period (previous year: EUR 0.0 million).

There are portfolio valuation allowances amounting to EUR 5.4 million (previous year EUR 1.7 million) for the loans and advances in the Loans and

Receivables category. The fair value of these loans and advances in the Loans and Receivables category amounts to EUR 517.4 million (previous year: EUR 595.8 million).

The interest rates for the transactions recorded above fluctuate between 0.4% and 6.59%. The individual terms of the transactions range from 2016 to 2042, with 25% of the loans and advances due in the next 12 months and 49% in the next 36 months.

The following tables show the application of the fair-value hierarchy for the financial assets and liabilities stated at fair value through profit or loss or not affecting profit or loss for the selected countries in 2014 and 2015:

31/12/2015 in millions of EUR	Level 1	Level 2	Level 3	Total
Portugal				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0
Ireland				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0
Italy				
Sovereign exposure	0.0	106.5	0.0	106.5
Financing institutions/Insurance companies	53.9	9.2	0.0	63.1
Corporates/Other	0.0	0.0	0.0	0.0
Total	53.9	115.7	0.0	169.6
Greece				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0
Hungary				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	0.0	0.0	0.0	0.0
Spain				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	69.4	67.4	0.0	136.9
Corporates/Other	0.0	0.0	0.0	0.0
Total	69.4	67.4	0.0	136.9

31/12/2014 in millions of EUR	Level 1	Level 2	Level 3	Total
Portugal				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Ireland				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Italy				
Sovereign exposure	0.0	99.7	0.0	99.7
Financing institutions/Insurance companies	103.6	14.3	0.0	117.9
Corporates/Other	0.0	0.0	0.0	0.0
Total	**103.6**	**114.0**	**0.0**	**217.6**
Greece				
Sovereign exposure	0.1	0.0	0.0	0.1
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	**0.1**	**0.0**	**0.0**	**0.1**
Hungary				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	0.0	0.0	0.0	0.0
Corporates/Other	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Spain				
Sovereign exposure	0.0	0.0	0.0	0.0
Financing institutions/Insurance companies	97.3	92.4	0.0	189.7
Corporates/Other	0.0	0.0	0.0	0.0
Total	**97.3**	**92.4**	**0.0**	**189.7**

With regard to the selected countries, there were only financial assets recognised in the balance sheet at fair value both during the reporting period and in the previous year.

(59) Forbearance exposure

All loans and advances for which the Bank has tried to maintain the business operations and the debt service of the customer in the past by deferment of payment, restructuring or waiving the margin in order to prevent a default or impairment are valid as forborne exposures. The following values relate to the balance sheet recognition on the reporting date:

31/12/2015 in millions of EUR	Balance sheet recognition before the specific valuation allowance	Specific valuation allowance	Balance sheet recognition after the specific valuation allowance
Construction	0.2	–0.2	0.0
Service and other	149.7	–18.0	131.7
Financial institutions and insurance companies	5.4	0.0	5.4
Trading	1.0	0.0	1.0
Manufacturing	5.4	0.0	5.4
Total	**161.7**	**–18.2**	**143.5**

31/12/2014 in millions of EUR	Balance sheet recognition before the specific valuation allowance	Specific valuation allowance	Balance sheet recognition after the specific valuation allowance
Construction	0.5	–0.4	0.1
Service and other	161.3	–15.9	145.5
Financial institutions and insurance companies	5.3	0.0	5.3
Trading	0.9	0.0	0.9
Manufacturing	41.2	0.0	41.2
Total	**209.2**	**–16.2**	**193.0**

There are also no loan provisions for the affected exposures.

(60) Underlying transactions in effective hedge relationships

Financial assets and liabilities which are part of a hedge relationship as underlying transactions in accordance with IAS 39 are also reported together with the unsecured transactions in the relevant balance sheet items, as the hedging type and function of the underlying transaction does not change.

The balance sheet recognition of the financial instruments otherwise recognised in the balance sheet at amortised cost (LaR and OL categories) is however corrected to include the fair value change attributable to the hedged risk.

The financial instruments in the AfS category are also recognised in the balance sheet at full fair value. The financial assets and liabilities which, as secured underlying transactions, are part of an effective micro fair-value hedge relationship are also reported below for information purposes:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)	Change (in %)
Assets			
Loans and advances to banks	212.1	222.9	–5
Loans and advances to customers	665.1	546.9	22
Financial investments	4,248.4	5,005.1	–15
Total	**5,125.5**	**5,775.0**	**–11**
Liabilities			
Liabilities to banks	105.7	106.1	0
Liabilities to customers	929.9	965.9	–4
Securitised liabilities	788.4	1,419.1	–44
Subordinated capital	0.0	0.0	-
Total	**1,824.0**	**2,491.1**	**–27**

(61) NORD/LB CBB as a collateral provider and collateral taker

The following assets were transferred by the Bank as collateral for liabilities:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Loans and advances to banks	720.9	727.7
Loans and advances to customers	0.0	9.1
Financial instruments measured at fair value through profit and loss	0.0	0.0
Financial investments	1,989.7	3,629.6
Total	2,710.6	4,366.4

Collateral was provided for financial investments for borrowings as part of genuine repos with a maximum remaining term of six months. The Bank is still entitled to expenses and income from pledged securities.

Collateral was provided in the form of deposits from financial institutions at standard market interest rates and primarily hedges changes in the value of derivative transactions. The remaining terms thereof are specified in the Note (57) Derivative financial instruments.

The following collateral was transferred to the Bank for loans and advances in the values indicated:

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Financial investments transferred to the Bank as collateral	0.0	105.7
Liabilities to banks	408.2	503.7
Total	408.2	609.4

Collateral which may also be sold or passed on without the collateral provider defaulting on payment was not held during the 2015 reporting period or in the previous year.

(62) Offsetting of financial assets and liabilities

The effects or potential effects of claims for offsetting of financial assets and liabilities at the end of the 2015 reporting period of the Bank and as at 31 December 2014 (NORD/LB Luxembourg Group) can be found in the following table.

31/12/2015 (in millions of EUR)	Gross amount before offsetting	Amount of the offsetting reported in the balance sheet	Net amount after offsetting	Master netting arrangements and the like without offsetting reported in the balance sheet: of which: financial instruments	collateral: securities	collateral: cash collateral	Net amount
Assets	**355.7**	**0.0**	**355.7**	**–324.9**	**0.0**	**–12.4**	**18.4**
Derivatives	355.7	0.0	355.7	–324.9	0.0	–12.4	18.4
Securities lending and repo transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	**2,966.7**	**0.0**	**2,966.7**	**–324.9**	**–1,975.6**	**–446.8**	**219.3**
Derivatives	983.1	0.0	983.1	–324.9	0.0	–446.8	211.4
Securities lending and repo transactions	1,983.5	0.0	1,983.5	0.0	–1,975.6	0.0	7.9

31/12/2014 (in millions of EUR)	Gross amount before offsetting	Amount of the offsetting reported in the balance sheet	Net amount after offsetting	Master netting arrangements and the like without offsetting reported in the balance sheet: of which: financial instrments	collateral: securities	collateral: cash collateral	Net amount
Assets	**609.6**	**0.0**	**609.6**	**–318.4**	**–105.7**	**–159.0**	**26.5**
Derivatives	496.4	0.0	496.4	–318.4	0.0	–159.0	19.0
Securities lending and repo transactions	113.2	0.0	113.2	0.0	–105.7	0.0	7.5
Liabilities	**5,037.4**	**0.0**	**5,037.4**	**–318.4**	**–3,629.2**	**–726.4**	**363.5**
Derivatives	1,085.2	0.0	1,085.2	–318.4	0.0	–726.4	40.5
Securities lending and repo transactions	3,952.2	0.0	3,952.2	0.0	–3,629.2	0.0	323.0

Dealings in derivative financial instruments and the securities lending and repo transactions are generally conducted based on bilateral framework agreements reached with the counterparty. These agreements solely provide for contingent rights for offsetting loans, advances, liabilities and the collateral received and made available, e.g. in the event of a contractual infringement or insolvency. There is therefore no current right to offset in accordance with IAS 32.42.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Genuine repos as a pension recipient (reverse repos)	**0.0**	**113.2**
Loans and advances to banks	0.0	113.2
Loans and advances to customers	0.0	0.0
Genuine repos as a pension provider (repos)	**1,983.5**	**3,952.2**
Liabilities to banks	1,983.5	3,952.2
Liabilities to customers	0.0	0.0

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Loaned securities	**0.0**	**0.0**
Loaned securities at fair value through profit or loss	0.0	0.0
Loaned securities from financial investments	0.0	0.0
Borrowed securities	**0.0**	**0.0**

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Securities sold under repurchase agreements	**1,989.7**	**3,629.6**
Securities sold under repurchase agreements at fair value through profit or loss	0.0	0.0
Securities sold under repurchase agreements from financial investments	1,989.7	3,629.6
Securities bought under repurchase agreements	**0.0**	**105.7**

(63) Transfer and debit of financial assets

The risks and opportunities remaining at NORD/LB CBB from transferred financial assets and the associated liabilities are shown below. There are no transferred financial assets which are only partly reported on the Bank's balance sheet. There are no transferred assets with rights of recourse either.

	31/12/2015		31/12/2014	
	Recording of all financial assets despite transfer			
in millions of EUR	Book value of assets	Book value of associated liabilities	Book value of assets	Book value of associated liabilities
Loans and advances to banks	0.0	0.0	0.0	0.0
Loans and advances to customers	0.0	0.0	0.0	0.0
Assets measured at fair value through profit and loss	0.0	0.0	0.0	0.0
Financial investments not accounted for at fair value	0.0	0.0	0.0	0.0
Financial investments accounted for at fair value	1,989.7	1,983.5	3,629.6	3,952.2
Assets intended for sale that are not accounted for at fair value	0.0	0.0	0.0	0.0
Assets intended for sale that are accounted for at fair value	0.0	0.0	0.0	0.0
Other assets not accounted for at fair value	0.0	0.0	0.0	0.0
Other assets accounted for at fair value	0.0	0.0	0.0	0.0
Total	**1,989.7**	**1,983.5**	**3,629.6**	**3,952.2**

The transferred financial assets are genuine securities repurchase transactions.

Other notes

(64) Regulatory information
The risk-weighted asset values and the regulatory equity capital have been based on the IFRS since the 2008 reporting period. They have been calculated based on the CRR regulations since the 2014 reporting period. A separate report is produced for the disclosed information pursuant to Article 13 CRR, which will be published on the NORD/LB CBB website once it has been completed.

Risk-weighted asset values
The Bank employs internal approaches to calculate risk.

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Risk assets	3,921.7	4,332.9
Weighted operational risks	213.9	224.1
Market risk positions	4.0	105.2
Total	**4,139.6**	**4,662.2**

NORD/LB CBB applies the standard method for determining the equity capital requirement for operational risks. This results in an equity capital requirement amounting to EUR 17.1 million (previous year: EUR 17.9 million) as at 31 December 2015.

Regulatory equity capital

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Paid-up capital	205.0	205.0
Other reserves	445.4	470.4
Remaining components	–14.1	–11.2
Deductions from core capital	–6.8	–6.1
Core capital	**629.5**	**658.1**
Capital contributions from silent partners	0.0	0.0
Subordinate debentures (imputable part)	28.7	46.3
Deductions from supplementary capital	16.6	18.8
Supplementary capital	**45.3**	**65.1**
Liable equity	**674.8**	**723.2**
Tier 3 capital	0.0	0.0
Equity capital	674.8	723.2

The aim of equity management is to secure adequate capital resources in terms of both quantity and quality, generate an appropriate return on equity and to permanently comply with minimum capital ratios prescribed by the regulatory authorities. The key capital variables for equity management are formed by:

- balance sheet equity,
- regulatory core capital and
- regulatory equity capital.

Target capital ratios, for which the numerator forms the relevant capital variable and the denominator is formed from the risk-weighted assets in accordance with the CRR regulations, are stipulated for the regulatory capital variables.
The current development of the listed capital variables and associated capital ratios is determined on a regular basis and reported to the management and supervisory authorities of the Bank. Estimates and forecasts are also submitted for these capital variables and capital ratios, if necessary. If there is a risk to the stipulated target capital ratios, alternative or cumulative measures will be taken to amend the risk-weighted assets, or procurement measures will be taken in conjunction with the parent institute with the focus on individual capital variables.

Minimum capital ratios
The Bank and/or the NORD/LB Luxembourg Group complied with the minimum regulatory capital ratios at all times in 2014 and 2015. The Bank recorded the following ratios at the turn of the year:

	31/12/2015	31/12/2014
Overall coefficient	16.3 %	15.5 %
Core capital ratio	15.2 %	14.1 %

The regulatory authority CSSF exempted the Bank from compliance with the major risk limit in its dealings with companies from the NORD/LB Group in accordance with Article 20 Intragroup assumptions from the regulation 14/01 (CSSF regulation no. 14-01 dated 11 February 2014 on the implementation of a certain degree of discretion as stipulated in the regulation (EU) no. 575/2013) at the request of the bank.

(65) Foreign currency volume

The following assets and liabilities were available in foreign currency as at 31 December 2015:

in millions of EUR	USD	JPY	CHF	Other	Total
Assets					
Cash reserve	0.0	0.0	8.4	0.0	**8.5**
Loans and advances to banks	53.4	1.1	61.2	4.2	**119.9**
Loans and advances to customers	1,008.4	8.2	140.8	279.1	**1,436.6**
Risk provisions	–0.3	0.0	–1.3	0.0	**–1.6**
Financial assets measured at fair value through profit and loss	34.9	1.2	4.6	10.7	**51.3**
Positive fair values from hedge accounting	33.4	5.1	29.8	9.2	**77.5**
Financial investments	1,738.3	177.9	168.0	227.6	**2,311.8**
Other assets	0.0	0.0	0.0	0.0	**0.0**
Total	**2,868.1**	**193.4**	**411.7**	**530.9**	**4,004.1**
Liabilities					
Liabilities to banks	2,554.5	0.0	0.0	139.8	**2,694.2**
Liabilities to customers	511.8	0.0	2.7	288.8	**803.3**
Securitised liabilities	328.0	0.0	67.3	267.0	**662.3**
Financial obligations measured at fair value through profit and loss	16.5	1.1	3.4	1.1	**22.1**
Negative fair values from hedge accounting	426.5	29.5	12.7	45.6	**514.5**
Other liabilities	0.0	0.0	0.0	0.1	**0.1**
Subordinated capital	114.9	0.0	0.0	0.0	**114.9**
Total	**3,952.2**	**30.7**	**86.1**	**742.3**	**4,811.3**

(66) Contingent liabilities and other obligations

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Contingent liabilities	**160.0**	**179.3**
Contingent liabilities from rediscounted bills of exchange	0.0	0.0
Liabilities from guarantees and warranty agreements	160.0	179.3
Irrevocable credit commitments	**1,401.9**	**1,422.2**
Total	**1,561.9**	**1,601.5**

Liabilities from guarantees and warranty agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and warranties.
Information on estimating financial effects, the insecurity in relation to the amount or time of asset outflows and information on the possibility of compensation payments is not provided for feasibility reasons.
The liabilities from guarantees and warranty agreements (financial guarantees) are valued in accordance with IAS 39. The obligations from existing rental, lease, guarantee and similar agreements are within the scope of normal business.

(67) Subordinate assets

	31/12/2015 (in millions of EUR)	31/12/2014 (in millions of EUR)
Loans and advances to banks	0.0	0.0
Loans and advances to customers	0.0	0.0
Financial instruments measured at fair value through profit and loss	0.0	0.0
Financial investments	45.0	45.0
Total	45.0	45.0

Assets are considered subordinate only if they materialise as loans and advances in the event of liquidation or the insolvency of the debtor after the loans and advances of other creditors.

The Bank has two subordinated issues from Austrian financial institutions in its portfolio which have a guarantor liability from Austrian federal states under the previous law.

(68) Trust activities

No trust activities were submitted during the financial year or the previous year.

(69) Events after the balance sheet reporting date

There were no significant events between the balance sheet reporting date on 31 December 2015 and the preparation of the financial statements by the Board of Directors on 29 February 2016.

(70) Auditor fee

	2015 in KEUR	2014 in KEUR
Auditor fee for:		
Auditing	302	429
Other auditing services	215	208
Tax consulting	91	121
Other services	445	8

No fees other than those listed in the table were paid to the auditor. The amounts quoted do not include statutory value-added tax.

(71) Deposit protection and resolution/guarantee funds

The Bank is a member of the Luxembourg deposit protection association (Association pour la Garantie des Dépôts Luxembourg (AGDL)). The business objective of AGDL was originally merely to establish a system for mutually protecting the customer deposits of the AGDL member institutes.

The law on the measures for the liquidation, restructuring and resolution of financial institutions and securities companies and in relation to the deposit protection and investor compensation systems ('the Law') was adopted on 18 December 2015 and was used to implement EU Directive 2014/59/EU for stipulating a framework for the restructuring and resolution of financial institutions and securities companies, as well as EU Directive 2014/49/EU in relation to deposit protection systems and investor compensation systems in Luxembourg law.

The existing deposit protection and investor compensation system in Luxembourg in the form of the AGDL will be replaced with a new contribution-based deposit protection and investor compensation system. The new system protects deposits from the same depositor up to an amount of EUR 100,000 and investment transactions up to an amount of EUR 20,000. The Law also stipulates that deposits that result from specific transactions or that serve specific social or other purposes be covered for a period of 12 months above the amount of EUR 100,000.

The target amount of financial funds of the new Luxembourg bank resolution fund (Fonds de résolution Luxembourg (FRL)) must reach at least 1% of the guaranteed deposits of all financial institutions in all participating member states by the beginning of 2024 in accordance with Article 1 Number 36 of the Law. This amount is levied by the financial institutions through annual contributions in the financial years from 2015 to 2024.

The target amount of financial funds of the new Luxembourg deposit protection fund still to be formed (Fonds de garantie des dépôts Luxembourg (FGDL)) is stipulated at 0.8% of the guaranteed deposits of the relevant financial institutions defined in Article 163 Number 8 of the Law, and must be achieved by the end of 2018. The contributions shall be made annually between 2016 and 2018. The financial institutions have already accounted for a provision amounting to 0.2% of the guaranteed deposits in anticipation of the contributions for the 2015 financial year. After reaching the 0.8%, the Luxembourg financial institutions will make additional contributions over the course of the next eight years to form an additional safety buffer amounting to 0.8% of the guaranteed deposits defined in Article 163 Number 8 of the Law.

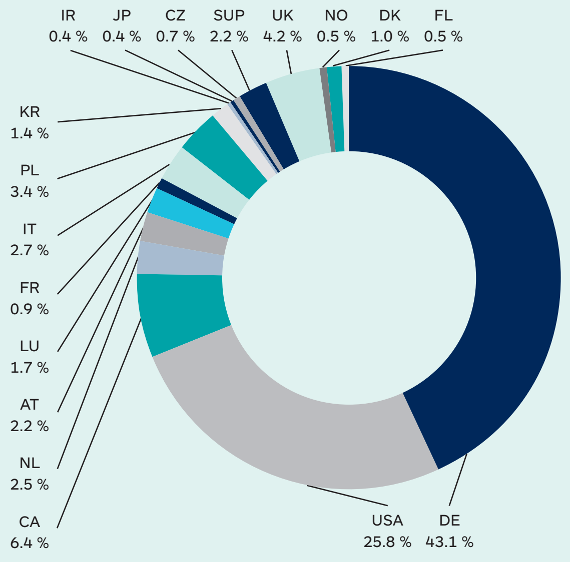
(72) Geographical distribution

As a rule, the Luxembourg covered bond legislation allows the coverage of loans and advances from countries which belong to the OECD, the European Union or the EEA, or countries with a (very) good rating from approved rating agencies. The Bank has no risk positions in Estonia, Latvia, Lithuania, Greece, Iceland, Mexico or Turkey. Due to the current difficult economic situation, the Bank is not planning any new commitments in these countries either.

The Bank will also not conduct any (new) business in Eastern Europe, Ireland or the USA for the time being. The continuation of investments in these countries will be dependent on the further development of the economic situation of the individual national economies. The cover pool of NORD/LB CBB is diversified geographically over 17 (previous year: 15) different OECD countries and two international organisations:

As of the reporting date 31 December 2015

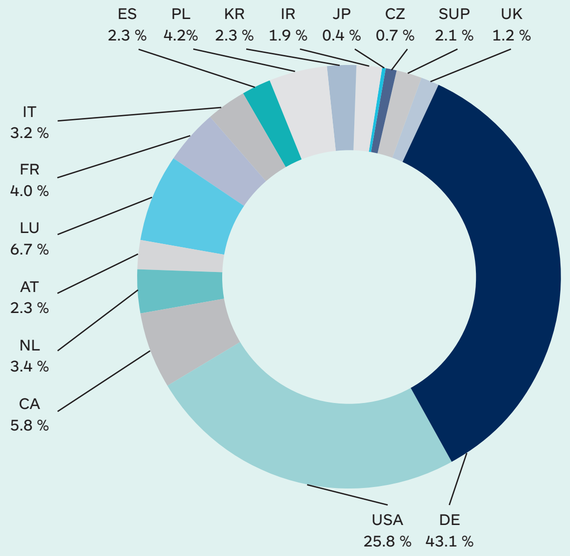
Geographical distribution



Region	in %
Europe	66.1
North America	32.2
Asia	1.8
Oceania	0.0

As of the reporting date 31 December 2014

Geographical distribution



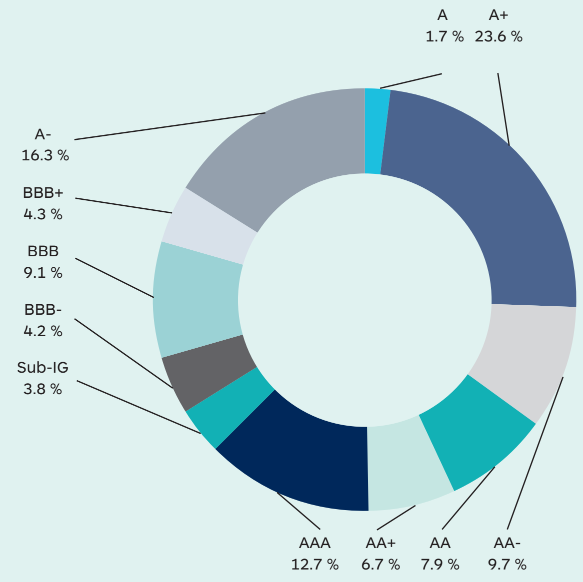
Region	in %
Europe	67.0
North America	30.3
Asia	2.7
Oceania	0.0

(73) Credit rating structure

The credit rating structure of the cover pool is as follows:

As of the reporting date 31 December 2015

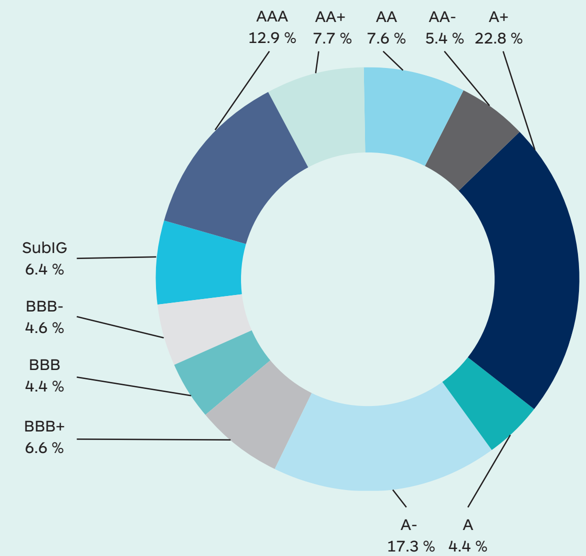
Credit rating structure



Rating	in %	in %	in %
AAA	12.7		37.0
AA	24.3	78.6	
A	41.7		
BBB	17.6		
Sub-IG sector	3.8		

As of the reporting date 31 December 2014

Credit rating structure



Rating	in %	in %	in %
AAA	12.9		33.6
AA	20.7	78.0	
A	44.4		
BBB	15.6		
Sub-IG sector	6.4		

(74) Cover ratio

The cover ratio is presented in the cover calculation as follows:

Cover calculation	Covered warrant (in millions of EUR)		Issues* (in millions of EUR)		Shortfall (–) / Surplus (+) (in millions of EUR)	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Total	4,017.1	4,048.0	3,197.2	3,193.5	819.9	854.5

*) Nominal amount of the covered issues in circulation including own inventory.

(75) Number of employees

The average number of employees in NORD/LB CBB during the reporting period is as follows:

	Male 2015	Male 2014	Female 2015	Female 2014	Total 2015	Total 2014
NORD/LB CBB*	122.4	137.6	59.7	64.2	182.1	201.8
Skandifinanz AG	0.0	0.8	0.0	0.0	0.0	0.8
Galimondo S.à r.l.	0.0	0.0	0.0	0.0	0.0	0.0

*) The average number of employees at NORD/LB CBB in 2014 corresponds to the total number of employees in both the predecessor institutes Norddeutsche Landesbank Luxembourg S.A. and NORD/LB Covered Finance Bank S.A..

The employees and Board of Directors of NORD/LB CBB are allocated to the following functions:

Group	2015	2014
Board of Directors	2.0	3.0
Management employees	9.0	14.0
Employees	172.1	184.8
Total	**182.1**	**201.8**

Related companies and persons

(76) Relationships to related companies and persons (related parties)

NORD/LB (parent company of NORD/LB CBB) and companies in accordance with IAS 24.9 (b) are classified as related legal persons.

Natural persons who are considered to be related in accordance with IAS 24 are members of the Board of Directors and Supervisory Board of NORD/LB Luxembourg and NORD/LB CFB, the members of the NORD/LB Board of Directors as the Group parent company, and close family members.

Transactions and collateral agreements are completed with related companies and persons at normal market terms and conditions as part of customary business activities. These transactions are subject to monitoring by the Bank in line with market conditions.

Information on the volume of transactions with related companies and persons in 2014 and 2015 can be found in the following statements. Changes to the group of related companies and persons may lead to an amendment to the previous year's values, if necessary:

As at 31 December 2015:

in KEUR	Shareholders	Persons in key positions	Other related parties
Outstanding loans and advances	191,130	0	0
to banks	191,130	0	0
to customers	0	0	0
Trading derivative assets	268,863	0	0
Other assets	6,886	0	13
Total assets	**466,880**	**0**	**13**
Outstanding liabilities	2,741,183	0	105,969
to banks	2,741,183	0	100,105
to customers	0	0	5,864
Securitised liabilities	1,304,653	0	46,915
Trading derivative liabilities	310,590	0	3,561
Subordinated capital	114,857	0	0
Other liabilities	1,251	2,723	0
Total liabilities	**4,472,533**	**2,723**	**156,445**
Granted warranties / guarantees	**0**	**7**	**0**
Interest expenses	–164,712	0	–1,521
Interest income	75,884	0	551
Commission expenses	–35,823	0	–2,753
Commission income	4,641	0	37
Other expenses and income	–60,489	2,271	1,820
Total profit contributions	**–180,499**	**2,271**	**–1,866**

The Bank issued a registered promissory note during the 2012 financial year with a volume of EUR 400.0 million and sold it to NORD/LB. This promissory note, which lasts until 2017, is endowed with the right to be redeemed and replaced with a subordinate promissory note of the same nominal volume if a stipulated core capital ratio is not attained. EUR 200.0 million was recouped in advance during the 2014 financial year with the approval of the CSSF and replaced with another refinancing instrument without special rights of the same amount with NORD/LB. The remaining EUR 200.0 million is still held by NORD/LB CBB. The issue and the pro rata repayment are made at conditions in line with the market.

As at 31 December 2014:

in KEUR	Shareholders	Persons in key positions	Other related parties
Outstanding loans and advances	289,404	0	0
to banks	289,404	0	0
to customers	0	0	0
Trading derivative assets	289,493	0	0
Other assets	12,036	0	12,207
Total assets	**590,934**	**0**	**12,207**
Outstanding liabilities	2,616,816	0	17,270
to banks	2,616,816	0	3
to customers	0	0	17,267
Securitised liabilities	925,672	0	0
Trading derivative liabilities	269,285	0	4,597
Subordinated capital	102,987	0	0
Other liabilities	1,133	3,783	0
Total liabilities	**3,915,892**	**3,783**	**21,866**
Granted warranties / guarantees	**0**	**17**	**0**
Interest expenses	–157,161	0	–1,396
Interest income	63,416	0	486
Commission expenses	–33,950	0	0
Commission income	2,333	0	250
Other expenses and income	74,294	3,865	1,686
Total profit contributions	**–51,068**	**3,865**	**1,026**

(77) Members of executive bodies and list of mandates

Members of the Board of Directors

Christian Veit, Luxembourg
CEO, Chairman of the Board of Directors

Thorsten Schmidt, Irrel
Deputy CEO, Member of the Board of Directors

Supervisory Board

Dr. Gunter Dunkel
Chairman of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Ulrike Brouzi
Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Thomas S. Bürkle
Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Walter Kleine
former Chairman of the Board of Directors of Sparkasse Hannover, Hanover

Christoph Schulz
Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Mandates

The following mandates were held by the members of the Board of Directors of NORD/LB Luxembourg S.A. Covered Bond Bank during the financial year:

Christian Veit
Skandifinanz AG, Zurich,
Member of the Board of Directors
L'Institut de Formation Bancaire (IFBL), Luxembourg,
Member of the Board of Directors
(until the second quarter of 2015

Thorsten Schmidt
NORD/LB G-MTN S.A., Luxembourg,
Board of Resolution

(78) Remuneration of and loans to executive bodies

	2015 in KEUR	2014 in KEUR
Salaries of active board members	**2,271**	**3,865**
Extended Board of Directors*	2,177	3,762
Supervisory Board	94	103
Salaries of previous board members and their surviving dependants	**0**	**0**
Extended Board of Directors*	0	0
Supervisory Board	0	0
Pension obligations	**2,723**	**3,783**
Extended Board of Directors*	2,723	3,783
Supervisory Board	0	0
Advances, loans and contingent liabilities	**7**	**17**
Extended Board of Directors*	7	17
Supervisory Board	0	0

*) Relates to the Board of Directors and management employees

Declaration of the legal representatives

Declaration of the legal representatives

We confirm to the best of our knowledge and in accordance with the applicable reporting principles that the annual accounts give a true and fair view of the assets, financial position and results of operations of NORD/LB Luxembourg S.A. Covered Bond Bank, and that the business development and performance, including the business profit, situation and the essential risks and uncertainties of NORD/LB Luxembourg S.A. Covered Bond Bank, are presented in the management report in a way that reflects an accurate picture of the actual circumstances and describes the essential opportunities and risks of the expected development of the Bank.

Luxembourg, 29 February 2016
NORD/LB Luxembourg S.A. Covered Bond Bank

Christian Veit
CEO
Chairman of the Board of Directors
Spokesman for the Board of Directors
NORD/LB Luxembourg S.A. Covered Bond Bank

Thorsten Schmidt
Deputy CEO
Member of the Board of Directors
NORD/LB Luxembourg S.A. Covered Bond Bank

Report of the réviseur d'entreprises agréé

To the shareholders of
NORD/LB Luxembourg S.A. Covered Bond Bank
7, rue Lou Hemmer
1748 Luxembourg-Findel
Luxembourg

Report on the annual accounts
In accordance with the instructions received from the Board of Directors of NORD/LB Luxembourg S.A. Covered Bond Bank dated 1 June 2015, we have audited the attached annual accounts of NORD/LB Luxembourg S.A. Covered Bond Bank, which consist of the balance sheet as at 31 December 2015, the profit and loss statement, the statement of changes in equity and the cash flow statement for the financial year ending on that date, and a summary of significant accounting methods and other explanatory information.

Responsibility of the Board of Directors for the annual accounts
The Board of Directors is responsible for the compiling and the professional overall presentation of the annual accounts in accordance with the International Financial Reporting Standards as they are to be applied in the European Union, and for the internal controls that it considers necessary for compiling the annual accounts, which are free from material misstatements irrespective of whether they result from inaccuracies or infringements.

Responsibility of the Réviseur d'Entreprises agréé
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with the International Standards on Auditing adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. These standards demand that we comply with the vocational behaviour requirements and plan and conduct the audit in such a way that it is possible to detect with reasonable assurance whether the annual accounts are free from material misstatement.
An audit involves conducting audit procedures to obtain evidence about the valuations and information contained in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé and the assessment of the risk that the annual accounts contain material misstatements as a result of inaccuracies or infringements. As part of this risk assessment, the Réviseur d'Entreprises agréé takes into account the internal control system established for preparing and professionally presenting the entire annual accounts in order to determine the appropriate audit procedures under these conditions, but not to issue an assessment of the efficiency of the internal control system. An audit also involves evaluating the appropriateness of the accounting policies and methods employed and the justifiability of the estimated accounting values determined by the Board of Directors and the assessment of the overall presentation of the annual accounts.
We are of the opinion that the evidence obtained by us from the audit is sufficient and suitable as the basis for our audit judgement.

Audit judgement
In our opinion, the annual accounts give a true and fair view of the assets and financial position of NORD/LB Luxembourg S.A. Covered Bond Bank as at 31 December 2015, as well as the result of operations and payment flows for the previous financial year on that date, in accordance with the International Financial Reporting Standards as they are applied in the European Union.

Report on further statutory and regulatory obligations
The management report, including the Corporate Governance Declaration, which is the responsibility of the Board of Directors, is consistent with the annual accounts and contains all the necessary information in accordance with the statutory requirements relating to the Corporate Governance Declaration.

Luxembourg, 29 February 2016
KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

H. Thönes

Report of the supervisory board

The Board of Directors of the Bank informed the Supervisory Board on a regular basis about the business development and the situation of the Bank during the reporting period. The Supervisory Board met five times in the 2015 reporting period.

KPMG Luxembourg, Société coopérative, Luxembourg, audited the annual accounts of NORD/LB Luxembourg S.A. Covered Bond Bank and issued an unqualified auditors' opinion. The auditor also attended the meeting of the Supervisory Board on 17 March 2016 to discuss the annual accounts and reported on the results of the audit of the annual accounts of NORD/LB Luxembourg S.A. Covered Bond Bank.

The Supervisory Board and the presidential committee adopted resolutions on business transactions presented to them and other matters which require a decision by these bodies in accordance with the Articles of Association and the regulations pertaining to these articles. The Supervisory Board also discussed the business and risk strategy of the Bank in detail. The fundamental issues of the business policy and business sector were discussed in-depth at numerous meetings.

The Supervisory Board approved the result of the auditor's audit and did not raise any objections following the final outcome of its own audit.

The Supervisory Board approved the management report and the annual accounts of NORD/LB Luxembourg S.A. Covered Bond Bank as at 31 December 2015 at its meeting on 17 March 2016.

The Supervisory Board would like to thank the Board of Directors of the Bank for the trusting cooperation and expresses its appreciation to the Board of Directors and all employees of the Bank for the work performed during 2015.

Luxembourg, March 2016

Dr Gunter Dunkel
Chairman of the Board of Directors
NORD/LB Norddeutsche Landesbank Girozentrale

Covered Bond Bank
Luxembourg

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