NORD/LB Covered Bond Bank Luxembourg

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

as at 31 December 2015

Finanzgruppe

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

1 Preamble

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

As a result, Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg (hereafter "NORD/LB CBB"), as a significant subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover (hereafter "NORD/LB") has a duty of disclosure in accordance with article 13 (1) of the CRR.

NORD/LB CBB emerged from the merger of Norddeutsche Landesbank Luxembourg S.A. (hereafter "NORD/LB Luxembourg") with NORD/LB Covered Finance Bank S.A. (hereafter "NORD/LB CFB"). Up to 31 December 2014 NORD/LB Luxembourg was the parent company of a Group which included NORD/LB CFB, Galimondo S.à.r.l., Luxembourg Skandifinanz AG, Zurich. NORD/LB Luxembourg held 100 per cent of the shares in all three subsidiaries.

For further information relating to the merger, please see the Annual Report of NORD/LB CBB.

The purpose of NORD/LB CBB is the conducting all business that a Pfandbrief bank is allowed to conduct under the law of the Grand Duchy of Luxembourg. There are also the Financial Markets & Sales, Loans and Client Services & B2B segments.

NORD/LB CBB holds 100 per cent of the shares in Galimondo S.à.r.l., Luxembourg. Galimondo S.à.r.l. was established on 5 September 2014 as a "Gesellschaft mit begrenzter Haftung" (company with limited liability) under Luxembourg law. The purpose of the company is the performance and coordination of services required to establish and maintain the functional capability of buildings and facilities including their infrastructure (facility management).

Galimondo S.à.r.l. is not a significant subsidiary and was therefore not included in the Bank's financial statements prepared under commercial law as at 31 December 2015.

The shares in Skandifinanz AG, Zurich, were sold in the first quarter of 2015 to Nord-Ostdeutsche Bankbeteiligungs GmbH, a company that is part of the NORD/LB Group.

In this report as at 31 December 2015, the Bank discloses the qualitative and quantitative information required in accordance with article 13 (1) of the CRR. This report does not include disclosures concerning the remuneration policy in accordance with article 450 of the CRR; these disclosures are made in a separate Remuneration Report.

The Disclosure Report is an additional document supplementing the Annual Report of NORD/LB CBB. This is prepared on the basis of International Financial Reporting Standards (IFRS).

Information about equity, capital requirements, the leverage ratio and credit risks is disclosed in accordance with article 13 (1) of the CRR.

Quantitative disclosures contained in this report are based on IFRSs, which constituted the basis for preparing regulatory reports in accordance with the CRR in NORD/LB CBB.

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

The Disclosure Report is published in accordance with article 434 of the CRR both on the website of NORD/LB at https://www.nordlb.com/nordlb/investor-relations/reports/ and the website of NORD/LB CBB at www.nordlb.lu/de-de/Seiten/investor_relations/ueberblick/geschaeftsberichte.

2 Capital Structure and Adequacy

2.1 Capital Structure

The capital components of NORD/LB CBB calculated in accordance with the regulations of the CRR and the national regulatory authority comprise Tier 1 and Tier 2 capital as well as certain deductions.

As at 31 December 2015, the Common Equity Tier 1 before regulatory adjustments of the Bank totals € 650 million and comprises the paid-in capital and retained earnings.

The paid-in capital totalling € 205 million comprises the share capital. The shareholder is NORD/LB.

As at 31 December 2015, retained earnings total € 445 million. In the year under review retained earnings were reduced by € 11 million due mainly to the transfer of retained earnings at the time of the merger.

The deductions in Common Equity Tier 1 items total € 21 million as at 31 December 2015. A large share of this is accounted for by deductions of € 14 million from intangible assets. A further € 6 million is accounted for by valuation adjustments due to the requirement of a prudent valuation. There is also a shortfall of € 1 million.

NORD/LB CBB does not have any Additional Tier 1 (AT1) instruments. Accordingly, the Bank's Tier 1 capital only comprises Common Equity Tier 1. As at 31 December 2015, this totals € 629 million after the aforementioned regulatory adjustments.

NORD/LB CBB's Tier 2 capital (T2) before regulatory adjustments totalled € 45 million as at 31 December 2015. It comprised the following components:

- Two subordinated liabilities in foreign currency (nominal volume of $ 125 million), $ 60 million of which is due in June 2016 and $ 65 million in December 2017. Due to the residual-term-related deductions, eligible Tier 2 capital totalled € 29 million as at 31 December 2015. The amount of interest for all subordinated liabilities is calculated based on the capital market yield on the date of issue plus a standard market risk premium. The requirements for inclusion in Tier 2 capital in accordance with article 62 et seq. of the CRR have been met.

- Positive amounts (totalling € 17 million) in accordance with article 62 (d) of the CRR.

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

As at 31 December 2015 the Bank's Common Equity Tier 1 capital ratio was at 15.21 per cent well above the regulatory requirement of 7 per cent. The regulatory capital ratio is also comfortable at 16.30 per cent.

2.2 Method used for Balance-Sheet Reconciliation

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

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

Table 1: Reconciliation statement: Balance Sheet

Assets	IFRS (in € million)	Reference
Cash reserve	84	
Loans and advances to institutions	1 510	
Loans and advances to customers	6 769	
Risk provisioning	– 40	
Financial assets at fair value through profit or loss	1 287	
Profit/loss from hedge accounting	290	
Financial assets	5 846	
Property and equipment	67	
Intangible assets	14	3
Financial assets available for sale	–	
Current tax assets	0	
Deferred tax assets	1	
Other assets	3	
Total assets	**15 832**	

Liabilities	IFRS (in € million)	Reference
Liabilities to institutions	7 626	
Liabilities to customers	3 221	
Securitised liabilities	3 114	
Financial liabilities at fair value through profit or loss	205	
Profit/loss from hedge accounting	792	
Provisions	22	
Current income tax liabilities	4	
Deferred income tax liabilities	11	
Other liabilities	21	
Subordinated capital	115	2
Equity	700	
Subscribed capital	205	1a
Capital reserves	–	1b
Retained earnings	480	1c
Revaluation reserve	15	
Currency translation reserve	–	
Total equity	700	
Equity attributable to the shareholders	700	
Non-controlling interests	–	
Total liabilities	**15 832**	

Table 2: Reconciliation statement for regulatory capital

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
	Common Equity Tier 1: Instruments and reserves				
1	Capital instruments and the associated premium	205	Art. 26 (1), 27, 28, 29 CRR in conjunction with EBA breakdown in accordance with Art. 26 (3) CRR	–	
1	of which: subscribed capital	205	EBA breakdown in accordance with Art. 26 (3) CRR	–	1a
1	of which: capital reserves	–	EBA breakdown in accordance with Art. 26 (3) CRR	–	1b
2	Retained earnings	445	Art. 26 (1) (c) CRR	–	1c
3	Accumulated other comprehensive income (and other reserves, to take account of non-realised profits and losses in accordance with the applicable accounting standards)	–	Art. 26 (1) CRR	–	
3a	Fund for general banking risks	–	Art. 26(1)(f)	–	
4	Amount of the items as defined by Art. 484 para. 3 CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire.	–	Art. 486 (2) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (2) CRR	–	
5	Minority interest	–	Art. 84, 479, 480 CRR	–	
5a	Interim profit independently audited, less all foreseeable levies or dividends	–	Art. 26 (2) CRR	–	
6	Common Equity Tier 1 before regulatory adjustments	650		–	
	Common Equity Tier 1: regulatory adjustments				
7	Additional valuation adjustments (negative amount)	– 6	Art. 34, 105 CRR	–	
8	Intangible assets (less corresponding tax liabilities) (negative amount)	– 14	Art. 36 (1) (b), 37, 472 (4) CRR	–	3
10	Deferred tax assets dependent on future profitability, less claims resulting from temporary differences (less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied) (negative amount)	–	Art. 36 (1) (c), 38, 472 (5) CRR	–	
11	Reserves from profits or losses from transactions for hedging payment flows accounted for at fair value	–	Art. 33 (a) CRR	–	
12	Negative amounts from the calculation of anticipated losses	– 1	Art. 36 (1) (d), 40, 159, 472 (6) CRR	–	
13	Increase in capital resulting from securitised assets (negative amount)	–	Art. 32 (1) CRR	–	
14 (1)	Profits dependent on changes to the bank's credit rating or losses from the bank's liabilities at fair value through profit or loss	–	Art. 33 (b) CRR	–	

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
14 (2)	Profits and losses from derivative liabilities at fair value resulting from the bank's own credit risk	–	Art. 33 (c) CRR	–	
15	Assets from pension funds with defined benefit (negative amount)	–	Art. 36 (1) (e), 41, 472 (7) CRR	–	
16	Direct and indirect positions of a bank in its own instruments of Common Equity Tier 1 (negative amount)	–	Art. 36 (1) (f), 42, 472 (8) CRR	–	
17	Direct, indirect and synthetic positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the bank's capital (negative amount)	–	Art. 36 (1) (g), 44, 472 (9) CRR	–	
18	Direct, indirect and synthetic positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) CRR	–	
19	Direct, indirect and synthetic positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the bank holds a significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 bis 3), 79, 470, 472 (11) CRR	–	
20a	Exposure from the following items allocated a risk weighting of 1,250 per cent if the bank alternatively deducts this exposure from the amount of the items of the Common Equity Tier 1	–	Art. 36 (1) (k) CRR	–	
20b	of which: qualified investments outside the financial sector (negative amount)	–	Art. 36 (1) (k) (i), 89, 90, 91 CRR	–	
20c	of which: securitisation exposures (negative amount)	–	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 CRR	–	
20d	of which: Advance payments (negative amount)	–	Art. 36 (1) (k) (iii), 379 (3) CRR	–	
21	Deferred tax assets dependent on future profitability resulting from temporary differences (above the threshold of 10 per cent, less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied) (negative amount)	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	
22	Amount above the 15 per cent threshold (negative amount)	–	Art. 48 (1) CRR	–	
23	of which: direct and indirect positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the bank holds a significant investment	–	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) CRR	–	

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
25	of which: deferred tax assets dependent on future profitability resulting from temporary differences	–	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	–	
25a	Losses from the current financial year (negative amount)	–	Art. 36 (1) (a), 472 (3) CRR	–	
25b	Foreseeable tax burden on items of Common Equity Tier 1 (negative amount)	–	Art. 36 (1) (l) CRR	–	
26	Regulatory adjustments of Common Equity Tier 1 relating to amounts subject to the pre-CRR treatment	–		–	
26a	Regulatory adjustments in connection with non-realised profits and losses in accordance with Art. 467 and 468 CRR	–	Art. 467, 468 CRR	–	
	of which: non-realised profits	–		–	
	of which: non-realised losses from government bonds	–		–	
26b	Amount to be deducted from or added to the Common Equity Tier 1 relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	–	Art. 481 CRR	–	
	of which: Other deductions from	–	Art. 481 CRR	–	
27	Amount of the items deductible from the items of Additional Tier 1 capital that exceed the bank's Additional Tier 1 capital (negative amount)	–	Art. 36 (1) (j) CRR	–	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	– 21		–	
29	Common Equity Tier 1	629		–	
Additional Tier 1 capital (AT1): Instruments					
30	Capital instruments and the associated premium	–	Art. 51, 52 CRR	–	
31	of which: classed as capital in accordance with applicable accounting standards	–		–	
32	of which: classed as liabilities in accordance with applicable accounting standards	–		–	
33	Amount of the items as defined by Art. 484 para. 4 CRR plus the associated premium, whose mandatory inclusion in the CET 1 will expire	–	Art. 486 (3) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (3) CRR	–	
34	Instruments of the qualified Tier 1 capital included in the consolidated Additional Tier 1 capital (including majority shareholdings not included in Common Equity Tier 1) issued by subsidiaries and held by third parties	–	Art. 85, 86, 480 CRR	–	
35	of which: instruments issued by subsidiaries whose mandatory inclusion will expire	–	Art. 486 (3) CRR	–	
36	Additional Tier 1 capital (AT1) before regulatory adjustments	–		–	

Ref-er-ence	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Ref-er-ence
	Additional Tier 1 capital (AT1): regulatory adjustments				
37	Direct and indirect positions of a bank in its own instruments of Additional Tier 1 capital (negative amount)	–	Art. 52 (1) (b), 56 (a), 57, 475 (2) CRR	–	
38	Direct, indirect and synthetic positions of the bank in instruments of Additional Tier 1 of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the bank's capital (negative amount)	–	Art. 56 (b), 58, 475 (3) CRR	–	
39	Direct and indirect positions of the bank in Additional Tier 1 instruments of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art.56 (c), 59, 60, 79, 475 (4) CRR	–	
40	Direct, indirect and synthetic positions of the bank in Additional Tier 1 instruments of companies in the financial sector in which the bank holds a significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 56 (d), 59, 79, 475 (4) CRR	–	
41	Regulatory adjustments of Additional Tier 1 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	–		–	
41a	Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Common Equity Tier 1 during the transitional phase in accordance with Art. 472 of Regulation (EU) No. 575/2013	–	Art. 472, 472 Abs. 3a, 4, 6, 8 (a) , 9, 10a and 11a CRR	–	
	of which: Intangible assets	–		–	
	of which: shortfall between value adjustments and expected loss	–		–	
41b	Remaining amounts deductible from the Additional Tier 1 capital relating to items deductible from the Tier 2 capital during the transitional phase in accordance with Art. 475 of Regulation (EU) No. 575/2013	–	Art. 477, 477 Abs. 3 and 4a CRR	–	
	of which:	–		–	
41c	Amount to be deducted from or added to the Additional Tier 1 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	–	Art. 467, 468, 481 CRR	–	
	of which: Amount of the items deductible from the items of Additional Tier 1 capital that exceed the bank's Additional Tier 1 capital and accounted for in the Common Equity Tier 1	–		–	

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
42	Amount of the items deductible from the items of Tier 2 capital that exceed the bank's Tier 2 capital (negative amount)	–	Art. 56 (e) CRR	–	
43	Total regulatory adjustments to the Additional Tier 1 capital (AT1)	–		–	
44	Additional Tier 1 capital (AT1)	–		–	
45	Tier 1 capital (T1 = CET1 + AT1)	629		–	
Tier 2 capital (T2): Instruments and reserves					
46	Capital instruments and the associated premium	29	Art. 62, 63 CRR	–	2
47	Amount of the items as defined by Art. 484 para. 5 plus the associated premium whose mandatory inclusion in T2 will expire	–	Art. 486 (4) CRR	–	
	State capital allocations with grandfathering rights to 1 January 2018	–	Art. 483 (4) CRR	–	
48	Qualifying capital instruments included in the consolidated Tier 2 capital (including as yet unrecorded minority shareholdings and AT1 instruments) issued by subsidiaries and held by third parties	–	Art. 87, 88, 480 CRR	–	
49	of which: instruments issued by subsidiaries whose mandatory inclusion will expire	–	Art. 486 (4) CRR	–	
50	Credit-risk adjustments	17	Art. 62 (c) and (d) CRR	–	
51	Tier 2 capital (T2) before regulatory adjustments	45		–	
Tier 2 capital (T2): regulatory adjustments					
52	Direct and indirect positions of a bank in its own instruments of Tier 2 capital and subordinated loans (negative amount)	–	Art. 63 (b) (i), 66 (a), 67, 477 (2) CRR	–	
53	Direct, indirect and synthetic positions of the bank in Tier 2 capital or subordinated loans of companies in the financial sector that have entered into a cross-investment with the bank with the aim of artificially increasing the bank's capital (negative amount)	–	Art. 66 (b), 68, 477 (3) CRR	–	
54	Direct and indirect positions of the bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 66 (c), 69, 70, 79, 477 (4) CRR	–	
54a	of which: new positions not subject to transitional provisions	–		–	
54b	of which: positions existent prior to 1 January 2013 and subject to transitional provisions	–		–	

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
55	Direct, indirect and synthetic positions of the bank in instruments of Tier 2 capital or subordinated loans of companies in the financial sector in which the institute holds a significant investment (more than 10 per cent and less eligible sales positions) (negative amount)	–	Art. 66 (d), 69, 79, 477 (4) CRR	–	
56	Regulatory adjustments of Tier 2 capital relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	–		–	
56a	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Common Equity Tier 1 during the transitional phase in accordance with Art. 472 of Regulation (EU) No. 575/2013	–	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) CRR	–	
	of which: shortfall between value adjustments and expected loss	–		–	
56b	Remaining amounts deductible from Tier 2 capital relating to items deductible from the Additional Tier 1 capital during the transitional phase in accordance with Art. 475 of Regulation (EU) No. 575/2013	–	Art. 475, 475 (2) (a), (3), (4) (a) CRR	–	
	of which:	–		–	
56c	Amount to be deducted from or added to the Tier 2 capital relating to additional deductions and adjustment items in accordance with the pre-CRR treatment	–	Art. 467, 468, 481 CRR	–	
	of which: adjustments due to grandfathering provisions	–		–	
57	Total regulatory adjustments to Tier 2 capital (T2)	–		–	
58	Tier 2 capital (T2)	45		–	
59	Total capital (TC = T1 + T2)	675		–	
Risk-weighted assets					
59a	Risk-weighted assets relating to amounts subject to pre-CRR treatment and treatment during the transitional period to which transitional provisions in accordance with Regulation (EU) No. 575/2013 apply (CRR remaining amounts)	–		–	
	of which: items not deductible from the Common Equity Tier 1 (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) CRR	–	
	of which: items not deductible from the Additional Tier 1 capital (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 475, 475 (2) (b), (2) (c) and (4) (b) CRR	–	
	of which: items not deductible from the Tier 2 capital (Regulation (EU) No. 575/2013, remaining amounts)	–	Art. 477, 477 (2) (b), (2) (c), (4) (b) CRR	–	

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
60	Total risk-weighted assets	4 140		–	
	of which: credit risk	3 908		–	
	of which: credit-risk-related valuation adjustment (CVA)	14		–	
	of which: market-price risk	4		–	
	of which: operational risk	214		–	
Equity ratios and buffers					
61	Common Equity Tier 1 capital ratio (expressed as a percentage of the total exposure)	15.21	Art. 92 (2) (a), 465 CRR	–	
62	Tier 1 capital ratio (expressed as a percentage of the total exposure)	15.21	Art. 92 (2) (b), 465 CRR	–	
63	Regulatory capital ratio (expressed as a percentage of the total exposure)	16.30	Art. 92 (2) (c) CRR	–	
64	Bank-specific requirements relating to the capital buffer (minimum requirement regarding Common Equity Tier 1 capital ratio in accordance with Art. 92 para. 1 letter a, plus the requirements regarding the capital-maintenance buffer and counter-cyclical capital buffer, systemic-risk buffer and buffer for systemically important institutions (G-SIIs or O-SIIs), expressed as a percentage of the total exposure)	7.00	Art. 128, 129, 130 CRD IV	–	
65	of which: capital-maintenance buffer	2.50		–	
66	of which: counter-cyclical capital buffer	–		–	
67	of which: systemic-risk buffer	–		–	
67a	of which: buffer for global systemically important institutions (G-SIIs) or other systemically important institutions (O-SIIS)	–	Art. 131 CRD IV	–	
68	Available Common Equity Tier 1 for the buffers (expressed as percentage of the total exposure)	10.71	Art. 128 CRD IV	–	
Amounts under the deduction thresholds (before risk-weighting)					
72	Direct and indirect positions of the bank in capital instruments of companies in the financial sector in which the institute holds no significant investment (less than 10 per cent and less eligible sales positions)	–	Art. 36 (1) (h), 45, 46, 472 (10) , 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) CRR	–	
73	Direct and indirect positions of the bank in instruments of Common Equity Tier 1 of companies in the financial sector in which the bank holds a significant investment (more than 10 per cent and less eligible sales positions)	–	Art. 36 (1) (i), 45, 48, 470, 472 (11) CRR	–	
75	Deferred tax assets dependent on future profitability resulting from temporary differences (below the threshold of 10 per cent, less corresponding tax liabilities if the conditions of Art. 38 para. 3 are satisfied)	–	Art. 36 (1) (c), 38, 48 470, 472 (5) CRR	–	

Reference	Basis as at 31 December 2015	Capital based on EU Regulation No. 575/2013 (CRR) – amount on the date of disclosure (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013 (in € million)	Reference
	Applicable caps for the inclusion of valuation allowances in the Tier 2 capital				
76	Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the standard approach (before application of the cap)	–	Art. 62 CRR	–	
77	Cap for inclusion of credit-risk adjustments in the Tier 2 capital within the standard approach	11	Art. 62 CRR	–	
78	Credit-risk adjustments relating to Tier 2 capital relating to liabilities subject to the approach based on internal assessments (before application of the cap)	17	Art. 62 CRR	–	
79	Cap for the inclusion of credit-risk adjustments in the Tier 2 capital within the approach based on internal assessments	18	Art. 62 CRR	–	
	Equity instruments subject to the transitional provisions (only applicable from 1 January 2013 to 1 January 2022)				
80	Current cap for CET 1 instruments subject to the transitional provisions	–	Art. 484 (3), 486 (2), (5) CRR	–	
81	Amount excluded from CET 1 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (3), 486 (2), (5) CRR	–	
82	Current cap for AT 1 instruments subject to the transitional provisions	–	Art. 484 (4), 486 (3), (5) CRR	–	
83	Amount excluded from AT 1 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (4), 486 (3), (5) CRR	–	
84	Current cap for T2 instruments subject to the transitional provisions	–	Art. 484 (5), 486 (4), (5) CRR	–	
85	Amount excluded from T2 due to the cap (amount above cap after reconciliations and maturities)	–	Art. 484 (5), 486 (4), (5) CRR	–	

Remarks on the reconciliation statement

1a–1b There is no difference in treatment between commercial and regulatory law for the positions subscribed capital and capital reserves.

1c The difference of € 35 million as compared to the balance sheet is explained in that no depreciation may be accounted for prior to attestation under regulatory law.

2 The subordinated liabilities of € 115 million are only set at € 29 million under regulatory law as a subordinated liability is treated in accordance with article 64 of the CRR.

3 There is no difference in treatment between commercial and regulatory law for the position intangible assets.

2.3 Main Features of the Capital Instruments

The table below shows the features of the capital instruments of NORD/LB CBB. The Bank only has CET1 and T2 instruments.

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

Main features of the capital instruments	1	2	3
Issuer	NORD/LB CBB	NORD/LB CBB	NORD/LB CBB
Standard identifier	no data	1058961	1059000
Law governing the instrument	Luxembourgish law	Luxembourgish law	Luxembourgish law
Regulatory treatment			
CRR transitional provisions	CET1	T2	T2
CRR provisions after the transitional period	CET1	T2	T2
Instrument type	Share capital	Subordinated loan	Subordinated loan
Amount eligible for regulatory capital	205	5	24
Nominal value of the instrument	205	55 (USD 60 million)	60 (USD 65 million)
Minimum tradable quantity	–	–	–
Issue price	100.00 %	100.00 %	100.00 %
Redemption price	–	100.00 %	100.00 %
Accounting classification	Subscribed capital	Liability – amortised cost	Liability – amortised cost
Original issue date	Various	8 Jun. 2001	27 Dec. 2002
Indefinite or with expiry date	Indefinite	Expiry date	Expiry date
Original due date	–	8 Jun. 2016	31 Dec. 2017
May be terminated by issuer with prior consent of the supervisory body	No	Yes	Yes
Termination date may be selected, conditional termination dates and redemption amount	–	With the consent of the CSSF: three-month notice period to the end of the interest period	With the consent of the CSSF: three-month notice period to the end of the interest period
Later termination dates, if applicable	–	–	–
Coupons / dividends			
Fixed or variable dividends / coupon payments	Variable	Variable	Variable
Nominal coupon and reference index as relevant	–	3-month USD LIBOR + 0.17 %	3-month USD LIBOR + 0.44 %
Dividend stop in place	Yes	No	No
Fully discretionary, partially discretionary or mandatory (regarding time)	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (regarding the amount)	Fully discretionary	Mandatory	Mandatory
Interest increase clause or another redemption incentive in place	No	No	No
Non-cumulative or cumulative	–	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible: trigger for conversion	–	–	–
If convertible: fully or partially	–	–	–

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

2.4 Capital Adequacy

2.4.1 Capital Requirements by Risk Type

Table 4 lists the regulatory capital requirements in accordance with article 438 of the CRR for NORD/LB CBB, divided into the key risk types and displaying the approaches used.

Credit risks account in the amount of 94.40 per cent for the greatest share of total risk-weighted assets (RWA). For most of the portfolio the Bank uses the Internal Ratings Based Approach (IRBA) in order to calculate capital adequacy requirements. The Credit Risk Standard Approach (CRSA) is only used for some business segments.

Market-price risks, which are calculated in NORD/LB CBB using the standard approach, only account for 0.10 per cent of the RWA as at the reporting date. Market-price risks are entirely the result of interest-rate risks, as the open currency positions as at the reporting date are less than 2 per cent of capital. Therefore, these do not need to be backed by capital in accordance with article 351 of the CRR. Share-price and commodity risks are not relevant.

Operational risks are also quantified in the Bank using the standard approach. As at 31 December 2015, they account for 5.17 per cent of total RWA.

Capital requirements were calculated for credit-value-adjustment risk (CVA risk) in accordance with article 381 of the CRR. The Bank uses the standard approach for this purpose. It accounts for only 0.33 per cent of total RWA.

Table 4: Capital requirements, in € million

		Risk-weighted position value (in € million)	Capital requirements (in € million)
	1 Credit risks	**3 909**	**313**
	1.1 Credit risk – standard approach	**884**	**71**
1	Central governments or central banks	–	–
2	Regional governments and local authorities	–	–
3	Public-sector entities	261	21
4	Multilateral development institutions	–	–
5	International organisations	–	–
6	Institutions	141	11
7	Corporates	359	29
8	Retail	–	–
9	Risk positions collateralised with real estate	–	–
10	Past-due risk positions	0	0
11	Very high-risk connected exposures	–	–
12	Covered bonds	38	3
13	Secured by mortgages of immovable properties	–	–
14	Collective investment undertakings (CIU)	–	–
15	Other risk positions	85	7
16	**Total for credit risk – standard approach**	**884**	**71**
	1.2 IRB approaches	3 021	242
17	Central governments or central banks	212	17
18	Institutions	1 054	84
19	Corporates – SME	–	–
20	Corporates – specialized lending	34	3
21	Corporates – other	1 721	138
22	Retail – secured by real estate SME	–	–
23	Retail – secured by real estate non-SME	–	–
24	Retail – qualifiying, revolving	–	–
25	Retail – other, SME	–	–
26	Retail – other, non-SME	–	–
27	Other non-loan-dependent assets	–	–
28	**Total for IRB approaches**	**3 021**	**242**
	1.3 Securitisations	3	0
29	Securitisations under the CRSA approach	–	–
30	of which: re-securitisations	–	–
31	Securitisations under the IRB approach	3	0
32	of which: re-securitisations	–	–
	Total securitisations	**3**	**0**

		Risk-weighted position value (in € million)	Capital requirements (in € million)
	1.4 Investments	**0**	**0**
34	Investments under the IRB approach	0	0
35	of which: internal model approach	–	–
36	of which: PD/LGD approach	–	–
37	of which: simple risk-weighting approach	0	0
38	of which: exchange-traded investments	–	–
39	of which: investments which are not exchange-traded but belong to a diversified investment portfolio	–	–
40	of which: other investments	0	0
41	Investments under the CRSA approach	–	–
42	of which: investment values in the case of continued use of the old methodology/grandfathering	–	–
43	**Total investments**	**0**	**0**
44	**1.5 Risk-position amount for contributions to the default fund of a central counterparty**	**–**	**–**
45	**Total investments**	**3 908**	**313**
46	**2. Clearing risks**	–	–
46	Clearing risks in the banking book	–	–
47	Clearing risks in the trading book	–	–
48	**Total clearing risks**	**–**	**–**
	3. Market-price risks	4	0
49	Standard approach	4	0
50	of which: interest-rate risks	4	0
51	of which: general and specific interest-rate risk (net interest position)	4	0
52	of which: specific interest-rate risk for securitisation exposures in the trading book	–	–
53	of which: specific interest-rate risk in the correlation trading portfolio	–	–
54	of which: share-price risks	–	–
55	of which: currency risks	–	–
56	of which: risks from commodity positions	–	–
57	Internal model approach	–	–
58	**Total market-price risks**	**4**	**0**
	4. Operational risks	**214**	**17**
59	Basic-indicator approach	–	–
60	Standard approach	214	17
61	Advanced measurement approach	–	–
62	**Total operational risks**	**214**	**17**
63	**5. Total amount of risk positions for credit value adjustment**	**14**	**1**
64	**6. Total amount of risk positions relating to large loans in the trading book**	**–**	**–**
	7. Other		
65	Other exposures	–	–
66	**Total amount of capital requirements**	**4 140**	**331**

2.4.2 Instruments Protecting the Bank

Besides NORD/LB CBB’s adequate capital resources, there are further instruments that serve to protect the Bank.

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

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

3 Disclosures concerning the Risk Types

3.1 Credit Risk

3.1.1 Credit Risks

In order to calculate the capital adequacy requirement for credit risks, NORD/LB CBB uses the Internal Ratings Based Approach (IRBA).

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

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

3.1.2 Structure of the Credit Portfolio

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

The Bank does not have any risk positions with SMEs.

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

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

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

(in € million)	Total amount of risk positions	Average of total risk positions in the reporting period
Central governments or central banks	293	265
Public-sector entities	905	990
International organisations	397	375
Institutions	158	172
Corporates	1 425	1 531
Past-due positions	0	0
Covered bonds	189	149
Other risk positions	77	77
Total	**3 443**	**3 559**

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

(in € million)	Total amount of risk positions	Average of total risk positions in the reporting period
Central governments or central banks	2 286	2 076
Institutions	5 348	6 577
Corporates – specialized lending	609	539
Corporates – other	6 897	6 776
Securitisations	42	43
Investments	0	0
Total	**15 183**	**16 011**

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

(in € million)	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport, communications	Financial institutions / insurance corporates	Service industries / other	Total
Central governments or central banks	–	–	–	–	–	–	20	273	293
Public-sector entities	–	–	–	–	–	–	–	905	905
International organisations	–	–	–	–	–	–	–	397	397
Institutions	–	–	–	–	–	–	158	–	158
Corporates	79	1	2	62	1	29	605	646	1 425
Past-due positions	–	–	–	–	–	–	–	0	0
Covered bonds	–	–	–	–	–	–	189	–	189
Other risk positions	–	–	–	–	–	–	77	–	77

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

(in € million)	Manufacturing	Energy, water and mining	Construction	Trade, maintenance and repairs	Agriculture, forestry and fishing	Transport, communications	Financial institutions / insurance corporates	Service industries / other	Total
Central governments or central banks	–	–	–	–	–	–	391	1 895	2 286
Institutions	–	–	–	–	–	–	5 348	–	5 348
Corporates – special finance	–	8	129	–	–	166	117	189	609
Corporates – other	1 638	1 304	54	519	23	546	1 160	1 653	6 897
Securitisations	–	–	–	–	–	–	42	–	42
Investments	–	–	–	–	–	–	–	0	0

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

(in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East / Africa	Asia / Australia	Other	Total
Central governments or central banks	273	20	–	–	–	–	–	–	293
Public-sector entities	1	–	–	904	–	–	–	–	905
International organisations	–	–	–	–	–	–	–	397	397
Institutions	152	1	5	–	–	–	–	–	158
Corporates	718	334	38	267	0	9	–	59	1 425
Past-due positions	–	0	–	–	–	–	–	–	0
Covered bonds	–	189	–	–	–	–	–	–	189
Other risk positions	–	77	–	–	–	–	–	–	77

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

Total gross credit volume (in € million)	Germany	Other euro countries	Rest of Europe	North America	Central and South America	Middle East / Africa	Asia / Australia	Other	Total
Central governments or central banks	1 152	333	298	402	–	–	20	81	2 286
Institutions	1 756	1 519	1 464	444	14	2	149	–	5 348
Corporates – special finance	81	180	266	82	–	–	–	–	609
Corporates – other	5 316	381	228	842	–	–	130	–	6 897
Securitisations	–	42	–	–	–	–	–	–	42
Investments	–	0	–	–	–	–	–	–	0

Table 11: Residual contract maturities in CRSA, in € million

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments or central banks	20	30	243	293
Public-sector entities	21	62	822	905
International organisations	0	88	309	397
Institutions	21	134	3	158
Corporates	448	431	546	1 425
Past-due positions	0	0	–	0
Covered bonds	26	–	163	189
Other risk positions	77	–	–	77

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

(in € million)	less than 1 year	1 year to 5 years	more than 5 years up to indefinite	Total
Central governments or central banks	316	934	1 036	2 286
Institutions	3 290	1 266	792	5 348
Corporates – specialized lending	144	155	310	609
Corporates – other	1 738	3 133	2 026	6 897
Securitisations	–	42	–	42
Investments	0	–	–	0

3.1.3 Risk Provisioning

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

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

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

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

For information on the accounting policies for risk provisioning in accordance with IFRSs the notes to the consolidated financial statements (Note 7) in the Annual Report are referred to. Under the current incurred loss model of IAS 39, the risk provisioning in its entirety is classified under the current regulatory provisions of the CRR as specific credit-risk adjustments. These include specific loan loss provisions, general loan loss provisions and provisions for credit risks of off-balance-sheet risk positions. There are no general credit-risk adjustments under the current accounting requirements for financial instruments of IAS 39.

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

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

Table 13: Risk provisioning by industry, in € million

(in € million)	Total amount of impaired risk positions	SLLP	GLLP	Provisions	Net allocation/ reversal of specific loan loss provisions	Direct write-down	Additions to written-down loans and advances	Past-due risk positions (not including valuation allowance requirement)
Manufacturing	23	18	———	0	0	–	–	18
Energy, water and mining	52	–	———	–	0	–	–	–
Construction	0	0	———	–	0	–	–	0
Trade, maintenance and repairs	1	–	———	–	–	–	–	1
Agriculture, forestry and fishing	–	–	———	–	–	–	–	–
Transport, communications	0	–	———	–	–	–	–	0
Financial institutions/ insurance companies	17	–	———	–	–	–	–	–
Service industries/ other	48	18	———	–	2	–	1	1
Total	**141**	**36**	**25**	**0**	**2**	**–**	**1**	**20**

Table 14: Risk provisioning by region, in € million

(in € million)	Total amount of impaired risk positions	SLLP	GLLP	Provisions	Past-due risk positions (not including valuation allowance requirement)
Germany	99	36	———	0	20
Other euro countries	25	–	———	–	0
Rest of Europe	17	–	———	–	–
North America	–	–	———	–	–
Central and South America	–	–	———	–	–
Middle East / Africa	–	–	———	–	–
Asia / Australia	–	–	———	–	–
Other	–	–	———	–	–
Total	**141**	**36**	**25**	**0**	**20**

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

(in € million)	Opening balance for the period	Adjustments in the period	Reversal	Utilisation	Exchange-rate related and other changes	Closing balance for the period
SLLP	34	2	0	0	0	36
Provisions	1	0	– 1	0	0	0
GLLP	25	0	– 2	0	2	25

As at the reporting date, the risk provisioning of the NORD/LB CBB totals € 62 million. This is € 3 million more than in the previous year.

3.1.4 Credit Risk Mitigation Techniques

3.1.4.1 Collateral Management

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

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

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

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

The collateral defined as relevant for NORD/LB CBB is recorded and presented in the Bank's core banking system, which is also used for the inclusion of collateral when calculating the capital adequacy requirement and for regulatory reports.

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

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

3.1.4.2 Collateral to Ease Equity Requirements

Indemnity agreements taken into account in the credit risk mitigation techniques are primarily sureties and guarantees. The valuation is performed on the basis of the guarantor's credit rating. The same rating rules apply as for all other borrowers. The main types of guarantors are public institutions and banks with a very good rating. The biggest guarantor is NORD/LB with a collateralised exposure of € 2.4 billion as at 31 December 2015.

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

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

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

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

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

Risk position class	Financial collateral	Mortgage liens	Guarantees and credit derivatives
Central governments or central banks	–	–	–
Public-sector entities	0	–	–
International organisations	–	–	–
Institutions	–	–	–
Corporates	227	–	726
Past-due positions	–	–	–
Covered bonds	–	–	–
Other risk positions	–	–	–
Total	**227**	**–**	**726**

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

Risk position class	Financial collateral	Other / physical collateral	Guarantees and credit derivatives
Central governments or central banks	–	–	80
Institutions	1 374	–	170
Other non-loan-dependent assets	–	–	–
Retail	–	–	–
of which: qualified, revolving	–	–	–
of which: residential real-estate loans	–	–	–
of which: other	–	–	–
Investments	–	–	–
of which: simple risk-weighting approach	–	–	–
of which: internal model approach	–	–	–
of which: PD/LGD approach	–	–	–
Corporates	76	–	2 640
of which: SME	–	–	–
of which: SME SF	–	–	–
Total	**1 450**	**–**	**2 890**

3.1.4.3 Netting Agreements

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

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

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

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

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

4 Leverage Ratio

The implementing technical standards with regard to disclosure of the leverage ratio for institutions were finalised in the publication of the Implementing Regulation (EU) 2016/200 on 18 February 2016 in accordance with the Regulation (EU) No. 575/2013 of the Implementing Technical Standard (ITS) supplementing the CRR. The standard disclosure requirements should increase the transparency and comparability of leverage ratios. In the tables below for the disclosure of the leverage ratio, the provisions of the Implementing Regulation (EU) 2016/200 of 15 February 2016 were considered.

The leverage ratio was calculated in NORD/LB CBB as at 31 December 2015 based on article 1 of the Commission Delegated Regulation (EU) 2015/62 of 10 October 2014. This Delegated Regulation results in significant changes in the calculation of the total risk position variable of the leverage ratio in a revised CRR/CRD IV framework:

- Credit derivatives: The effective nominal value for written credit derivatives (nominal value reduced by all negatives changes in the fair value) included in Tier 1 capital is integrated in the leverage ratio total exposure measure. The amount can be reduced by the effective nominal value of a purchased credit derivative to the same reference name, if certain conditions have been met.

- Netting of subsequent payments: Subsequent payment received or paid in cash can be deducted from the leverage ratio total exposure measure, if certain conditions have been met.

- Securities financing transactions: Permission to net gross receivables from securities financing transactions with liabilities from securities financing transactions, if certain conditions have been met. In addition a markup for the net receivables from securities financing transactions has to be considered.

- Off-balance-sheet items: Off-balance-sheet risk positions are to be netted using the credit conversion factors from the standard approach for credit risk (0 per cent, 20 per cent, 50 per cent or 100 per cent depending on the risk category, with a lower limit of 10 per cent).

- Regulatory adjustments: Consolidation is limited to the regulatory basis of consolidation. The obligation to consolidate certain investments in companies in the finance sector that are consolidated under commercial law buy not under regulatory law no longer exists.

NORD/LB CBB is disclosing for the first time information on the leverage ratio as at 31 December 2015.

Table 18: Summary reconciliation of accounting assets and leverage ratio exposures

		Estimated value [1] 31 Dec. 2015 (in € million)
1	Total assets as per published financial statements	15 832
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with article 429 (13) of Regulation (EU) No. 575/2013)	–
4	Adjustments for derivative financial instruments	– 199
5	Adjustment for securities financing transactions (SFTs)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1 416
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (7) of Regulation (EU) No. 575/2013)	–
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (14) of Regulation (EU) No. 575/2013)	–
7	Other adjustments	–
8	**Leverage ratio total exposure measure**	**17 049**

[1] In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Table 19: Leverage ratio common disclosure

		Risk positions for the CRR leverage ratio [1] 31 Dec. 2015 (in € million)
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	15 505
2	(Asset amounts deducted in determining Tier 1 capital)	–
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**15 505**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i. e. net of eligible cash variation margin)	92
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	93
EU-5a	Exposure determined under Original Exposure Method	–
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	342
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	– 399
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	–
11	**Total derivatives exposures (sum of lines 4 to 10)**	**128**
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	Counterparty credit risk exposure for SFT assets	–
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with articles 429b (4) and 222 of Regulation (EU) No. 575/2013	–
15	Agent transaction exposures	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**–**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1 555
18	(Adjustments for conversion to credit equivalent amounts)	– 139
19	Other off-balance sheet exposures (sum of lines 17 and 18)	1 416

		Risk positions for the CRR leverage ratio [1)] 31 Dec. 2015 (in € million)
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	–
EU-19b	(Exposures exempted in accordance with article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	–
Capital and total exposure measure		
20	Tier 1 capital	629
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	**17 049**
Leverage ratio		
22	Leverage ratio	3.69 %
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	no Transition rule
EU-24	Amount of derecognised fiduciary items in accordance with article 429 (11) of Regulation (EU) No. 575/2013	–

1) In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

Table 20: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		Risk positions for the CRR leverage ratio [1)] 31 Dec. 2015 (in € million)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	15 505
EU-2	Trading book exposures	9 570
EU-3	Banking book exposures, of which:	15 495
EU-4	Covered bonds	1 644
EU-5	Exposures treated as sovereigns	2 916
EU-6	Exposures to regional governments, MDBs, international organisations and PSE not treated as sovereigns	964
EU-7	Institutions	2 456
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	–
EU-10	Corporate	7 313
EU-11	Exposures in default	94
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	119

1) In accordance with article 1 of the Delegated Regulation (EU) No. 2015/62

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

As at 31 December 2015 NORD/LB CBB's leverage ratio in accordance with the Delegated Regulation was 3.69 per cent. Here a Tier 1 capital of € 629 million in relation to the total exposure measure of € 17.049 billion is considered.

5 List of Tables

6 List of Abbreviations

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

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