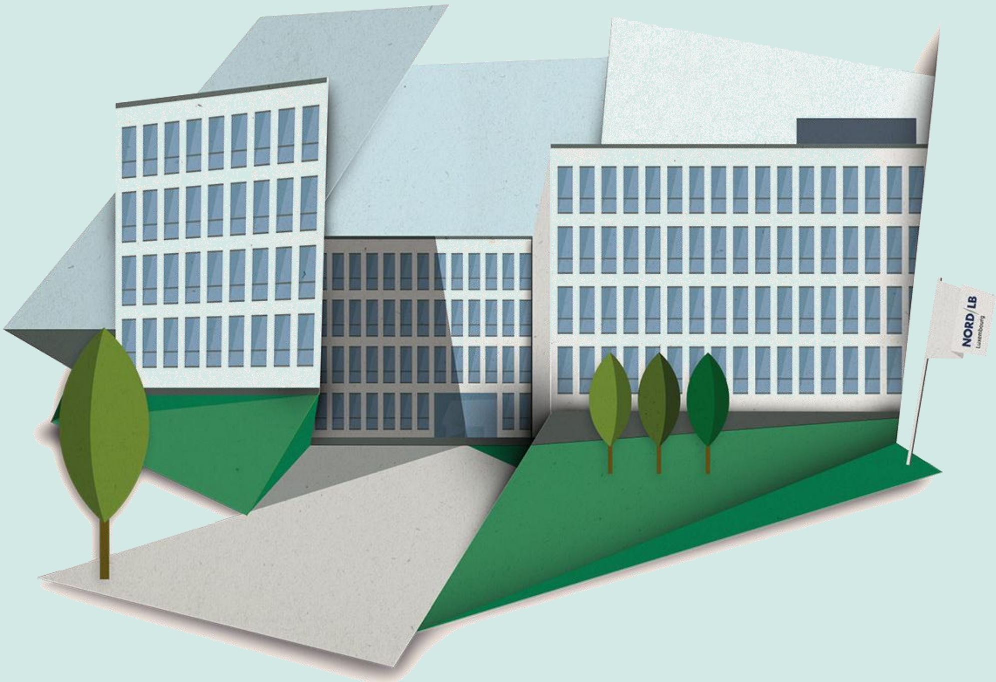
NORD/LB
Covered Bond Bank
Luxembourg



Opening Balance

according to IFRS

per 01.01.2015

Summary of Key Data

Performance	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/ decrease (EUR million)	Increase/ decrease (%)
Loans and advances to banks	1,398.8	2,163.1	-764.4	-35
Loans and advances to customers	6,199.4	5,174.5	1,024.9	20
Risk provisions	-37.1	-45.6	8.5	-19
Financial assets	7,322.9	8,866.5	-1,543.5	-17
Other assets	1,804.8	670.7	1,134.1	> 100
Balance sheet total – assets	**16,688.8**	**16,829.2**	**-140.4**	**-1**
Liabilities to banks	8,920.0	10,075.2	-1,155.1	-11
Liabilities to customers	3,144.4	2,788.8	355.6	13
Securitised liabilities	2,663.7	2,271.8	392.0	17
Other liabilities	1,246.3	994.8	251.5	25
Reported equity	714.3	698.6	15.7	2
Balance sheet total – liabilities	**16,688.8**	**16,829.2**	**-140.4**	**-1**

Regulatory Law Key Figures	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/ decrease (EUR million)	Increase/ decrease (%)
Risk-weighted asset values	4,662.2	4,410.2	252.0	6
Core capital	642.6	688.8	-46.1	-7
Equity capital	707.7	734.0	-26.2	-4
Core capital ratio	13.8 %	15.6 %	-1.8 %	-12
Overall coefficient	15.2 %	16.6 %	-1.5 %	-9

Change in number of employees	01.01.2015	01.01.2014	Increase/ decrease (EUR million)	Increase/ decrease (%)
Number of employees	174	197	-23	-12

Contents

Management Report

NORD/LB Luxembourg S.A. Covered Bond Bank

NORD/LB Luxembourg S.A. Covered Bond Bank (hereinafter referred to as “NORD/LB CBB” or “the Bank”), Luxembourg, is a wholly-owned subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale, based in Hanover, Braunschweig and Magdeburg (hereinafter referred to as “NORD/LB”). The Bank is included in the consolidated financial statements of NORD/LB (hereinafter referred to as “NORD/LB Group” or the “Group” for short). The parent company has issued a letter of comfort for NORD/LB CBB. The consolidated financial statements of NORD/LB can be viewed on the Internet at www.nordlb.de.

NORD/LB CBB results from the merger of Norddeutsche Landesbank Luxembourg S.A. (hereinafter NORD/LB Luxembourg) with NORD/LB Covered Finance Bank S.A. (hereinafter NORD/LB CFB). The joint merger plan agreed by the boards of directors of NORD/LB Luxembourg and NORD/LB CFB on 2 April 2015, which was notarised and published on 16 April 2015 in Mémorial, was adopted at the extraordinary general meeting of NORD/LB Luxembourg held on 21 May 2015 and a resolution confirming the merger was passed. The merger took place by way of universal succession by NORD/LB Luxembourg to the assets and liabilities of NORD/LB CFB with all rights and obligations by the dissolution without liquidation of NORD/LB CFB (simplified merger) with effect on 31 May 2015 (“time of the effectiveness of the merger”) with retrospective effect for accounting purposes to 1 January 2015. NORD/LB CFB has therefore ceased to exist as a legally independent entity.

The business purpose of NORD/LB CBB is to conduct all of the transactions of a covered bond bank (Pfandbriefbank) permitted in accordance with the law of the Grand Duchy of Luxembourg. In addition there are the following business segments: Financial Markets & Sales, Loans and Client Services & B2B.

NORD/LB CBB holds 100% of the shares in each of the subsidiaries Galimondo S.à r.l., Luxembourg, and Skandifinanz AG, Zurich. Due to the subordinate importance of Galimondo S.à.r.l. and Skandifinanz AG, the Bank has decided not to prepare consolidated financial statements.

Galimondo S.à r.l. was established on 05 September 2014 as a limited liability company under Luxembourg law. The purpose of the company is to provide and coordinate services that are necessary to produce and maintain the operability and functioning of buildings and facilities (properties), including their infrastructure (facility management).

The business activities of Skandifinanz AG had already been totally reduced or transferred to NORD/LB Luxembourg in 2011. The intragroup sale of Skandifinanz AG to Nord-Ostdeutsche Bankbeteiligungs GmbH took place in the first quarter of 2015.

This report relates to the non-consolidated opening balance of NORD/LB CBB in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU. The comparative figures from the previous year (as at 1 January 2014) are based on the consolidated financial statements of NORD/LB Luxembourg.

International Economic Forecast

Global Economic Outlook

There many indications that the economy will remain strong in the USA; the Federal Reserve may well raise the base rate for the first time there in June or September 2015. In the Eurozone, the development of leading indicators justifies cautious hope for a stabilisation of the economic situation. However, the growth differentials between the individual economies in the common currency area will remain pronounced. Very inflation low rates are to be expected for the currency zone as a whole, and they will fall below the zero line for a longer period of time. In view of these circumstances, in January 2015, the ECB resolved a broad purchasing programme for public and private assets in the amount of sixty billion euros a month. These purchases are initially planned to run until September 2016. The total planned volume of the programme is therefore significantly above one trillion euros and also includes the purchasing programme for ABS and covered bonds that is already underway. Starting in March 2015, the ECB will invest in government bonds and securities from government-related issuers with a maturity of between two and thirty years. This measure has once again led to significantly lower yields on the bond market, which may well be extremely low throughout large parts of the year.

Economic Forecast: Germany and the Euro Area

The overall mood regarding the economic development in Germany improved significantly by the end of 2014 and early 2015. In surveys conducted by ZEW and sentix, economic expectations in particular were noticeably picking up. The ifo Business Climate Index also increased again recently, likewise driven by more optimistic estimates for the near future. The falling oil price, devaluation of the euro and the prospect of a lasting and extremely expansive monetary policy direction by the ECB in 2015 is likely to have raised the mood of market players and companies considerably. Production expectations in the processing industry have, however, remained weak so far, even if the improved export prospects are raising hopes of more dynamic foreign business in 2015. Domestic demand and specifically private consumption will especially be the main growth drivers here again. Along with ongoing low inflation mainly due to the decline of the oil price as well as continued higher employment rates and the slight drop in unemployment, this will also be supported by sustained and strong increases in collectively bargained wages. Private consumption will therefore rise by just over 1.5% in real terms and thus see the strongest growth since 2011. Strong domestic demand will stimulate imports and therefore keep net exports low in 2015 despite increasing export activities. The German economy is facing a solid upturn. Economic output may well rise by 1.5% in comparison to the previous year. Arithmetically, there are two more business days available in 2015, which is equivalent to a growth effect of 0.3 percent. 2016 might possibly see another slight acceleration in economic activity.

In the euro area, the economic recovery will continue in 2015 but will probably still remain relatively weak. This forecast assumes that the price advantages associated with crude oil and further monetary policy stimulations could contribute to a gradual acceleration of economic momentum over the course of the year. The stimulus from net exports will remain at around the same level as in 2014, while domestic demand will increase at a greater rate than in the previous year. A gradual recovery is to be expected in terms of investments in 2015, but the most important contributions to growth will once again come from private and public consumption. The growth differentials will remain large; as before, the German economy should expand at a greater rate than the rest of the Eurozone. Slight improvements but no resounding successes are expected with regard to the reduction in unemployment rates and the deficit ratio.

Financial Market Development and Interest Rate Forecast

The direction of the Federal Reserve's monetary policy will be gradually normalised in 2015. Once QE3 has come to an end, an initial moderate interest rate rise is likely in 2015. Although the Federal Reserve will proceed cautiously, irritation among market players and companies with regard to the timing cannot be completely ruled out. US monetary policy will therefore basically remain expansive this year, albeit a little less so than previously. The movement in yields of ten-year US treasuries will depend on the discussions regarding the timing of the first interest rate increase and will experience an uptrend as the base rate is raised gradually.

The euro exchange rate in 2015 may well continue to be determined by the European sovereign debt crisis, the growth and interest differentials as well as the monetary policy focuses on both sides of the Atlantic. Essentially, there are currently many reasons to expect a continuation of the devaluation of the European single currency that already started in 2014: While a first interest rate hike will likely be on the agenda in the USA, the ECB, with the massive purchasing programme it resolved in January 2015, has a much more expansive focus on its monetary policy once again. A large number of these factors may well have already been priced into the exchange rate, so that the strengthening of the greenback is not expected to continue at the rate it has been recently. The euro should be able to stabilise in the region of USD 1.20 again by the end of 2015.

Central Bank policy is likely to remain a deciding factor in the performance of capital market yields within the Eurozone. The sustained downward trend in the yields of European government bonds had already anticipated the sovereign QE programme resolved by the ECB at the end of January 2015. The yields of ten-year German federal bonds slid to below 0.40% p.a. as a result of the central bank's decision; moreover, the spreads of government bonds of many member states to federal bonds narrowed even further. The German interest rate structure curve is therefore extremely flat at the beginning of the year and will probably only steepen slightly by the end of 2015.

By the end of 2015, the DAX is not likely to appear weak over the long term. In particular, low interest rates – in addition to the strength of the US economy – will benefit asset class shares. The lack of investment alternatives are now forcing even defensive investors to at least consider the purchase of equities. Moreover, there are also hopes in 2015 for more M&A activity and attractive dividend payouts from companies, especially relative to the interest rate.

Business segments

NORD/LB CBB's strategy focuses on three distinct business segments:

Loans/Allied Lending

The current agreements with the allied partners of both merged banks will be continued here. In addition, commitments from the NORD/LB Group that are eligible for the cover pool according to Luxembourg criteria will be pooled here. Along with the "Lettres de Gage Publiques" that are already used today, additional classes of covered bond will be issued in the future. With regard to the Bank's medium-term planning, the focus will clearly be on further expansion of this business segment and in particular on strengthening the cooperation with the Structured Finance segment at NORD/LB.

Financial Markets/Sales

Financial Markets takes care of the classic functions related to interest rate, liquidity and currency management. The new issuance of lettres de gage and associated support of covered bond investors will shift more to the forefront. Sales will also become more important through the further expansion of activities in the "Fixed Income/Structured Products Sales Europe" segment. In accordance with the agreement with NORD/LB, the Luxembourg group unit will be responsible for the regional sales for other European countries. Alongside covered bonds, other products will also be offered. These will be sold to institutional customers on behalf of the Group, without assumption of the risk.

Client Services / B2B

The merged special bank will not operate any private banking itself, but will use the available efficient IT infrastructure and existing expertise to offer services to external asset managers and offices within the Group. Client Services' first customer is the newly established affiliate NORD/LB Vermögensmanagement Luxembourg S.A., an asset manager, which will also use B2B and B2C services from NORD/LB CBB on the basis of service agreements.

In addition to intensive project activities related to the reorganisation of the Bank, already established B2B and B2C activities will be stabilised in 2015 and process flows trimmed for scalability in order to be able to bring new customers on board starting in 2016.

The business activities of Galimondo S.à r.l., Luxemburg, will likewise be allocated to this business segment.

Schedule of Assets and Financial Data

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (EUR million)
Loans and advances to banks	1,398.8	2,163.1	-764.4
Loans and advances to customers	6,199.4	5,174.5	1,024.9
Risk provisions	-37.1	-45.6	8.5
Financial assets at fair value through profit or loss	1,336.5	244.4	1,092.0
Financial assets	7,322.9	8,866.5	-1,543.5
Other assets	468.3	426.3	42.0
Total assets	**16,688.8**	**16,829.2**	**-140.4**
Liabilities to banks	8,920.0	10,075.2	-1,155.1
Liabilities to customers	3,144.4	2,788.8	355.6
Securitised liabilities	2,663.7	2,271.8	392.0
Financial liabilities at fair value through profit or loss	178.4	106.5	71.9
Provisions	10.0	17.7	-7.6
Other liabilities	1,057.9	870.6	187.3
Reported equity	714.3	698.6	15.7
Total equity and liabilities	**16,688.8**	**16,829.2**	**-140.4**

The **balance sheet total** in the opening balance as at 1 January 2015 is EUR 16,688.8 million (previous year EUR 16,829.2 million).

The **loans and advances to banks** item is mainly characterised by money transactions (EUR 972.4 million), debt securities (EUR 268.0 million) and repo transactions (EUR 113.2 million). Within this item, most notably the receivables from repos (EUR 113.2 million) were reduced in comparison to the previous year (EUR 996.3 million).

In alignment with the Bank's strategy, **loans and advances to customers** largely consists of loan receivables in the sum of EUR 5,943.2 million. In addition, there are receivables from debt securities (EUR 135.0 million) and receivables from money transactions (EUR 121.2 million). This increase as compared to the previous year results almost exclusively from a higher loan volume to corporate customers.

The Bank’s **risk provision** was mainly made for two commitments. One of these is a customer from the “renewable energies” sector with a risk provision of EUR 17.9 million. The other is a risk provision of EUR 15.9 million for a customer in the service sector.

The **assets at fair value through profit or loss** are primarily attributed to securities classified as dFV, which are in economic hedge relationships with futures and interest rate swaps (EUR 1,034.1 million). This category was selected for control purposes in order to avoid an accounting mismatch.

The **financial assets** consist of securities which are allocated to the AfS (EUR 4,360.8 million) and LaR (EUR 2,962.1 million) categories. This reduction in comparison to the previous year results mainly from shifts within the portfolio. Securities classified as AfS were reduced and replaced by new commitments in securities classified as dFV. These are no longer shown in the financial assets item, however (see “assets at fair value through profit or loss”). Moreover, portfolios were reduced within the scope of restructuring the portfolios of the predecessor institutions and through the targeted reduction of risk positions.

In **other assets,** the positive fair values from hedge accounting derivatives constitute the largest position (EUR 359.8 million).

Liabilities to banks consists of money transactions (EUR 4,567.8 million), repos (EUR 3,952.2 million) and issued debt securities (EUR 400.0 million). While deposits from other banks increased by EUR 583.0 million, liabilities from money market transactions declined significantly by EUR 1,733.1 million. This change is primarily due to shifts within the product range and the scheduled reduction in the balance sheet total.

Liabilities to customers in the sum of EUR 3,144.4 million consist of money transactions and issued lettre de gage. The scheduled increase in comparison to the previous year mainly relates to issues of lettre de gage, which were acquired by corporate customers. The maturities of these are between 2019 and 2044.

Securitised liabilities increased by EUR 392.0 million in relation to the comparative reporting date. This change is attributed to currency effects. At EUR 445.0 million (nominal volumes), the newly issued European medium term notes exceeded the maturing securities, which were at EUR 125.0 million.

Financial liabilities at fair value through profit or loss (EUR 178.4 million) include derivatives, which are predominantly in economic hedging relationships.

Other liabilities mainly include fair values from hedge accounting derivatives (EUR 916.1 million) as well as the subordinated capital (EUR 103.0 million).

As at 1 January 2015, the **reported equity** of the Bank is EUR 714.3 million.

NORD/LB CBB does not have any branches and does not hold any of its own shares.

Risk Report

The risk report for NORD/LB CBB as at 1 January 2015 was prepared on the basis of IFRS 7.

The Bank does not enter into any noteworthy risks from complex structured derivatives.

Risk Management

Principles

The business activities of a bank are inextricably linked to the conscious taking of risks. Efficient risk management in terms of a risk and return oriented equity allocation is therefore a central component of modern bank management and a high priority for NORD/LB CBB. Risk management is primarily aimed at controlling risks.

From a business standpoint, the Bank defines risk as being potential direct or indirect financial losses due to unexpected negative deviations between actual and projected results of business operations.

The risk management process implemented at the Bank consists of the following levels: risk identification, risk assessment, risk reporting as well as risk management and monitoring. It is subject to continuous review and improvement in close cooperation with NORD/LB. Adjustments that may become necessary include organisational measures, revisions in the procedures for quantifying risk, and the continuous updating of all relevant parameters. In order to identify risks, the Bank has established a multi-stage process (risk inventory) in accordance with the Minimum Requirements for Risk Management (MaRisk) AT 2.2 and AT 4.5 for the purpose of deriving the overall risk profile, which depicts the types of risk relevant to the Bank and differentiates between significant and insignificant risks for the purpose of further differentiation. In this context, significant risks are all relevant types of risk which could have a major negative impact on the capital adequacy, the earnings position, the liquidity position or the achievement of strategic goals of the Bank.

The overall risk profile is reviewed at least once a year as well as in relation to events (risk inventory) and adjusted if necessary.

As a result of the last risk inventory, the following risks continue to be deemed significant: credit risk, participation risk, market price risk, liquidity risk and operational risk. In addition, the following risks are deemed to be relevant: business and strategic risk (including allied risks), reputation risk, syndication risk, real estate risk, pension risk and model risk. Appropriate precautions were taken for all identified risks.

According to the regulations of the supervisory legislation, institutions must have proper business organisation, which ensures adherence to the statutory provisions to be observed by the institution and its operating requirements. Proper business organisation includes the specification of strategies on the basis of procedures for ascertaining and securing risk-bearing capacity, which comprises both risks and the capital available for covering these risks. For the Bank, these statutory requirements are firmly established in Luxembourg law as well as German law.

Changed requirements in risk management, including the establishment of an accounting system for liquidity costs in accordance with MaRisk, emerge from the fourth amendment to MaRisk, which was published in December 2012 and came into force on 1 January 2013. The main requirements for the implementation of a transfer pricing system are originally based on the "Guidelines on Liquidity Cost Benefit Allocation" issued by the CEBS (now EBA) dated 27

October 2010. These have been applied in essence in MaRisk and in the European supervisory framework (CRR (Regulation (EU) No 575/2013 of the European Parliament and of the Council dated 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 646/2012), CRD (Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2008/87/EU and repealing Directives 2006/48/EC and 2006/49/EC)). In addition, the Bank must take into account the requirements of the CSSF, which addresses relevant requirements (in particular with regard to risk-transfer pricing ("RTP")) in its circular 12/552, updated by 13/563 and 14/597.

The NORD/LB Group has improved its liquidity management within the scope of extensive project activities. The methods, models and procedures underlying the funds transfer pricing (FTP) were also examined, improved or enhanced, in particular with regard to the liquidity components. The Group FTP Policy[1] functions as a standard set of rules for the entire Group. To a large extent, the regulatory framework of the FTP system is also defined for the Bank through the standard group documents.

At the individual bank level, the responsibility for the FTP system is undertaken by the banks in the NORD/LB Group themselves, while the depiction of bank-specific peculiarities (for example with regard to regulation, business model, business characteristics) in their FTP system is possible – whilst complying with the principle of broad methodological consistency and absence of arbitrage within the NORD/LB Group. NORD/LB CBB has specified the points relating to the FTP/RTP system that specifically apply to it in a framework document.

[1] The Group FTP Policy states:"The FTP system supplements the market interest rate method, which has long been used in the NORD/LB Group, by adding methods, procedures and processes for determining and offsetting market-oriented internal transfer prices for utilising and providing liquidity as well as for assuming liquidity risks between the Market and Treasury units. The FTP is not an independent, separate control loop, but rather is integrated into the existing control processes."

Strategy

The business policies of NORD/LB CBB are deliberately conservative in their orientation. Accordingly, NORD/LB Luxembourg's main principle is to handle risks responsibly. The formulated risk strategy is thus aligned with the business model, the business strategy and the specifications of the NORD/LB Group risk strategy, and is reviewed at least once a year. It consists of the risk policy principles of the Bank, the organisation of risk management, the overall risk profile and the risk sub-strategies regarding the essential bank-specific risk types.

The core element of the risk strategies is the risk-bearing capacity model (RBC model), on the basis of which the risk appetite is defined and the allocation of the risk capital to the significant risk categories is undertaken.

Through this Group-wide RBC model, it was established conservatively that, in normal cases considering the going concern as the primary control loop, a maximum of 80% of the risk capital may be burdened with risk potential. 20% of the risk capital is held as a buffer and serves to cover risks arising from stress situations in particular and risks that are not explicitly quantified. The risk situation is measured using the utilisation of the risk capital (quotient from the total risk potential and total risk capital).

The maximum allocation of risk capital to the significant risk types is also specified within the scope of the risk strategy on the basis of the RBC model. The majority of the cover pool is allocated to credit risks and market price risks in the process. On the one hand, this reflects the Bank's focus on the customer-oriented lending business and on the other, accommodates the credit spread business of the predecessor institutions that has been taken over.

The risk strategy aims for optimum management of all significant risk categories and the transparent presentation of them to the Bank's Board of Directors, the regulatory authorities and other third parties with justified interests. Based on this, NORD/LB CBB has a large number of other instruments available to it on an operational level, which ensure adequate transparency regarding the risk situation and create the required level of limits and portfolio diversification that can be managed and monitored. This range of instruments is described in detail in the risk handbook of the NORD/LB Group and the documents of the written fixed regulations of the Bank, which are based on it.

NORD/LB CBB's risk strategy was compiled in the fourth quarter of 2014 and following approval by the Board of Directors of NORD/LB Luxembourg, was discussed with the Supervisory Board, which then approved it. NORD/LB CBB's risk strategy came into effect on 1 January 2015 upon completion of the merger of the two predecessor institutions.

Structure and Organisation

The responsibility for risk management is borne by the Board of Directors of NORD/LB CBB, which also defines the risk strategy. Following the adoption of the risk strategy by the Board of Directors, it is discussed with and approved by the Bank's Supervisory Board.

The Chief Risk Officer (CRO) at NORD/LB CBB is responsible for developing and monitoring the risk strategy. This includes the monitoring of all significant risks, including risk reporting.

To support the Board of Directors in controlling the risks, the “Luxembourg Risk Committee” (LRC) was already introduced by NORD/LB Luxembourg in the first quarter of 2014. The LRC supports the Board by giving recommendations for action. The LRC's operational framework is defined by the Bank's business and risk strategy. The LRC meets at least six times over the course of a year.

The Bank's internal control system (ICS) is based on the requirements of the banking supervisory bodies (ECB and CSSF), mainly defined in the updated circular 12/552. The role of ICS officer is undertaken by the head of the Organisation department.

Risk management is subjected to continuous review and improvement. In this regard, the Bank utilises the standardised methods used by the NORD/LB Group. Adjustments that may become necessary include organisational measures, revisions in the procedures for quantifying risk, and the continuous updating of relevant parameters.

A risk-related organisational structure, as well as the functions, responsibilities and authorisation of the divisions that deal with risk processes, is clearly defined at the employee level. An organisational separation of market and risk management functions is established right up to and including the Board level.

The following departments are involved in the risk management process:

Market / Back Office	Department
Market	Financial Markets & Sales
	Loans & Client Services
Back Office	Finance & Risk
	Operations
	Compliance
	Legal & Tax
	Auditing

The responsibility for the implementation of the RBC model, which applies to NORD/LB, the ongoing monitoring of compliance and the regular review of the risk strategies lies with Risk Control (Finance & Risk Division) at the Bank.

The internal auditors are responsible for the risk-related audit of the effectiveness and adequacy of the risk management system. Amongst its goals are monitoring the effectiveness, efficiency, compliance and correctness of the business activities. They also facilitate the optimisation of business processes as well as the controlling and monitoring of procedures.

As part of the ongoing further development of the group-wide monitoring tools, the internal auditors at NORD/LB and NORD/LB CBB work closely together using a standardised Group audit policy and an evaluation matrix for the audit findings. Cross-institutional competence centres were also set up in this regard, in order to develop complex specialised subjects and conduct audits in the Banks.

The Bank's compliance function is responsible for identifying and assessing the compliance risks within the Bank. It is responsible for ensuring that the requirements related to the Internal Capital Adequacy Assessment Process (ICAAP), in particular those arising from circular CSSF 07/301 and its addenda circulars, are complied with in full conformity at the Bank. The Bank's Compliance Charter describes which tasks and responsibilities were defined.

Along with the compliance function and internal auditing, the risk control function pursuant to the updated CSSF circular 12/552 is an essential component of risk management. With the approval of the CSSF, the role of CRO as defined by CSSF circular 12/552 is undertaken at NORD/LB CBB by the Director of Finance & Risk. The main duty of the risk control function is to review compliance with all internal regulations and procedures which fall under their sphere of responsibility, to assess their adequacy with a view to the organisational structures and procedures, the strategies, business activities, risks of the bank and the pertinent statutory and regulatory provisions and give an account of this directly to the Board of Directors and Supervisory Board. The findings of this review are incorporated in a report on the risk control function that must be produced annually.

The handling of new products, new markets, new distribution channels, new services and their variations is regulated within the scope of the New Product Processes (NPP). The essential aim of the NPP is to ensure that all potential risks for NORD/LB Luxembourg are identified, analysed and assessed prior to the commencement of the business. Associated with this is the integration of all necessary audit areas and documentation of new business activities, their treatment in the overall operational process, the decisions regarding the commencement of the business and any associated restrictions.

All procedures and responsibilities which are relevant to the risk management process are documented in the risk handbook of the NORD/LB Group and in the working directives of NORD/LB CBB.

Further statements and information on the structure and organisation of the risk management system can be found in the following subsections on structure and organisation by risk category.

Risk-bearing Capacity Model

The risk-bearing capacity model forms the methodological basis for monitoring adherence to NORD/LB CBB's risk strategy. The monitoring is done by the Risk Controlling division (Risk Control department) of the Bank.

The objective of the model is the aggregated presentation of the risk bearing capacity (RBC) within the scope of a comparison of the risk potential arising from the main risks and the risk capital. The regular monitoring and reporting process ensures that the competent governing bodies of the Bank are promptly informed of the risk-bearing capacity situation. This model serves to secure risk-oriented corporate management.

The NORD/LB Group employs a scenario-based RBC model, which also fulfils the requirements of the ICAAP in accordance with Basel III. Besides providing the required proof that an adequate amount of capital is available, the model also serves to verify consistency between risk strategies and specific business activities.

The RBC model consists of the three perspectives of going concern, gone concern and regulatory, in each of which the significant risks (risk potential) are compared with the defined risk capital.

The going concern case represents the authoritative control loop for the assessment of the risk-bearing capacity and the adequacy of the equity position (ICAAP). The overarching guiding principle of this primary control loop is the independent going concern on the basis of the existing business model, even if all the available cover pool has been drained by risks that have been incurred. In the going concern approach, economically calculated risk potentials are set against risk capital, which is determined in the course of a consideration of the bottleneck of the free regulatory capital at fixed minimal ratios (total capital and core capital) and adjusted by adding further risk capital effects within the scope of a dynamisation process at a standard confidence level of 95%.

The second level of assessment is represented by the gone concern approach and constitutes a secondary condition within the RBC model. The gone concern approach takes a higher confidence level of 99.9% into consideration on the risk potential side and sets the relevant economically calculated risk potentials against a risk capital that is based on the full regulatory capital.

The third level of consideration of the RBC model, “Regulatory”, reproduces the official regulatory report on capital adequacy and accordingly takes into account the risk potentials determined in accordance with regulatory guidelines. The regulatory consideration constitutes a strict secondary condition within the RBC model.

The capital side is based both on the Gone Concern approach and in the regulatory on equity and near-equity components, which have to be taken into account according to regulatory rules on capital stock. In the Gone Concern case, there is an adjustment of the risk capital in relation to various aspects (e.g. by taking hidden liabilities into account). If the capital needed to cover the risks in the gone concern case is used up, a continuation of the Bank would in principle no longer be possible under otherwise unchanged assumptions. The structure of the RBC model provides for the gone concern approach to act as a stimulus for the going concern approach that is crucial in the assessment of the risk-bearing capacity. Direct management-relevant stimuli come from the going concern approach, however. The strategic limits from the consideration of the risk-bearing capacity are derived taking into account the risk capital allocation undertaken in the risk strategy on the basis of the Going Concern approach.

The monthly reports prepared by Risk Controlling on the risk-bearing capacity (RBC reports) constitute the central instrument for risk reporting to the Board and the supervisory bodies at the overall Bank level. These are used to regularly check compliance with the specifications of the risk strategy regarding the appetite for risk and allocation of the risk capital to the primary risk categories. Furthermore, the RBC calculations on the quarterly reporting dates are an integral component of the Bank’s regular supervisory board meetings.

When determining the risk-bearing capacity, risk concentrations are also taken into account, both within a risk category and across risk categories. Concentrations within a risk category essentially relate to credit risks as the most important risk category at NORD/LB CBB. These are integrated into the RBC model via the internal credit risk model and flow into the economic risk potentials.

Concentrations across risk categories are primarily analysed within the scope of stress tests. In doing so, NORD/LB CBB utilises the stress test concept of the NORD/LB Group. The standard group approach based on a predefined “process map” to select scenarios, determine functional chains and their conversion into specific parameters or shock intensities forms the basis of the efficient performance of event-driven stress tests.

When selecting and drafting the stress scenarios, the business and risk focuses of the Bank are deliberately utilised as selection guidelines. The sectors, segments, regions and customers, etc. which have a major influence on the Bank’s risk situation are therefore to be selected. The presumption of a major influence is based on the absolute size of exposure, the absolute risk contributions (proportion of unexpected loss), the rating distribution, strategic focuses and past crises. The stress tests therefore implicitly focus on inter-risk concentrations.

After the main focuses are identified, distinct events are defined that describe the negative development and performance of the selected focuses. These events absolutely must be designed to cover all risk categories. All risk categories that could develop adversely in the crisis situations which have to be specifically described, are therefore to be included in the stress test parameterisation and thus increase the potential of losses in the stress scenarios. Potential losses resulting from stress establish the active economic risk capital. Furthermore, in addition to the RBC perspectives, the effects of the stress scenario on the control parameters of the profit and loss account, distance to illiquidity and regulatory capital ratios are analysed.

Pursuant to the requirements of both MaRisk (AT 4.3.3) and Circular CSSF 11/506 dated 11 March 2011, inverse stress tests have to be performed for NORD/LB CBB. Inverse stress tests examine which events could threaten the Bank's ability to survive because the original business model would prove no longer viable or sustainable, or, for example, there would be insufficient equity or liquidity reserves. Inverse stress tests complement the other stress tests in that unfavourable event or combinations of unfavourable events which could lead to such a situation are imputed.

In principle, the drafting of the stress tests at the Bank facilitates the identification and quantification of exceeded critical threshold values when entering certain scenarios (inverse stress test). If the effects of the stress testing with respect to their negative impact are too weak, the stress test method generally makes it possible to strengthen them in a targeted and appropriate manner.

In addition to the stress tests, which apply to all risk types, topics are addressed through an interview procedure which covers a wide range of positions of the Bank, behind which marked concentrations could be concealed. These are prioritised and subjected to a detailed scenario analysis if they are of significant importance. This scenario analysis is initially detached from the assumptions made regarding concentration and diversification during the measurement of risk potentials. To this extent, the procedure constitutes an additional, independent approach to measuring concentrations. The objective is to develop scenarios that can identify and record all major consequences for the key figures of the Bank.

Risk-bearing capacity on the reporting date

The risk-bearing capacity model of the NORD/LB Group was converted to an IFRS-based logic in the first quarter of 2014. This had an effect on the Bank's risk-bearing capacity calculation as regards the dynamisation of the risk capital and the quantification of the market price risks. One particular reason for this is the modified classification of the hidden liabilities as well as the credit spread risks, which now follow the classification according to IFRS and no longer the logic of the German Commercial Code (HGB). Credit spread risks from the HfT, AfS and dFV categories are taken into account in the going concern (formerly the trading book and liquidity reserve) while the LaR (formerly assets) are also included in the gone concern.

The utilisation of the risk capital in the going concern scenario for NORD/LB CBB as at 1 January 2015 and for its predecessor institutions as at 1 January 2014 is shown in the following table:

In EUR million	**Risk-bearing capacity**			
	01.01.2015		01.01.2014	
Risk capital	**258**	**100%**	**309**	**100%**
Credit risks	35	14%	49	16%
Participation risks	0	0%	0	0%
Market price risks	42	16%	21	7%
Liquidity risks	16	6%	10	3%
Operational risks	2	1%	2	1%
Total risk potential	**95**		**82**	
Utilisation		**37%**		**27%**

The increase in the level of utilisation is mainly due to the higher risk in market price risks and the reduction of the risk capital. The effect in the market price risks primarily results from taking additional credit spread risks into consideration in line with the switch to IFRS as well as improvements in the risk measurement procedure. The Bank did not enter into any significant new risk positions over the course of the year. As a result of additional capital requirements associated with the CRR coming into force (deductions for prudent valuation, capital requirement for CVA) and the revenue reserves distributed to NORD/LB, there is less risk capital available at NORD/LB CBB as at 1 January 2015.

The level of utilisation is still considerably below the internally defined maximum value of 80%.

Outlook

The European Banking Authority (EBA) published a consultation paper on the “Guidelines for common procedures and methodologies for the SREP (supervisory review and evaluation process)” on 7 July 2014. The guidelines provide a common framework for the work of supervisors in the assessment of risks to banks’ business models, their solvency and liquidity.

A comprehensive SREP framework is introduced in the guidelines, comprised of various components. Firstly, the banks are divided into four categories following the proportionality principle, with the most important banks, in terms of regulation, included in the first category. The analysis of the business model has become a new focal point for supervision. Depending on their category, the banks are subject to different minimum levels of supervision. In practice, this affects the cycle and frequency of monitoring certain key indicators, assessment of various core areas and regular supervisory dialogue. Internal governance and controls, risks to capital and capital adequacy, as well as liquidity and funding risks and liquidity adequacy are particular focuses of the assessments.

Each individual component is assessed using a scoring system. These sub-results are then combined to get an overall SREP score. The scores range from 1 (“no discernible risk”) to 4 (“high risk”). For the overall SREP score, there is an additional category F (“failing or likely to fail”). These scores must be suitable to provide an indication of the banks’ viability and the necessity of supervisory measures or early intervention measures. The competent authorities have to integrate these guidelines into their supervisory processes and procedures by 1 January 2016.

It is generally assumed that the ECB will at least partially apply the new SREP process this year. Therefore the Bank has already started identifying the requirements for risk management arising from this as well as any existing gaps.

Credit Risk

Credit risk is a component of counterparty risk and is subdivided into classic credit risk and counterparty risk in trading. The classic credit risk describes the risk of a loss occurring because of the default or decline in creditworthiness of a borrower. The counterparty risk in trading describes the risk of a loss occurring because of the default or decline in creditworthiness of a borrower or contractual partner in trading transactions. This is sub-divided into the default risk in trading, replacement, settlement and issuer risks:

- The default risk in trading describes the risk of a loss occurring because of the default or decline in creditworthiness of a borrower. It is equivalent to the classic credit risk and relates to money market transactions.

- The replacement risk describes the risk of the contracting partner defaulting in a pending transaction with positive present value and this transaction with a loss must be replaced.

- The settlement risk is broken down into the advance delivery risk and the final settlement risk. The advance delivery risk describes the risk of there being no compensation by the contracting partner following the Bank's own performance when a transaction is settled or of the compensation not being paid upon netting of the payments. The processing risk describes the risk of it not being possible to settle transactions mutually at or after the contractually agreed-on time of fulfilment.

- The issuer risk describes the risk of a loss being incurred as a result of the default or decline in creditworthiness on the part of an issuer or a reference debtor.

Along with the original credit risk, there is a country risk (transfer risk) associated with international transactions. This includes the risk of a loss occurring because of overriding state restraints, despite the ability and willingness of the counterparty to fulfil its payment obligations.

Strategy

For NORD/LB CBB, the lending business and the management of credit risks represent a core competence, which must be continuously further developed and expanded.

NORD/LB CBB's lending business is focussed on the allied/transfer lending business with NORD/LB. There has been successful and trusting cooperation for many years in this field.

The range of products comprises the spectrum of classic lending products in all major currencies. The range of services includes the entire spectrum of loan servicing and management services, including assumption of the facility agent function.

In accordance with statutory provisions, the business of Pfandbrief (covered bond) banks is to grant loans to certain debtors as well refinancing by issuing Pfandbriefe (covered bonds).

NORD/LB CBB also concentrates on business with good counterparties in the capital market business. Credit risks in the Financial Markets & Sales business segment are managed within the ALM/Treasury organisational unit.

Structure and Organisation

In accordance with the requirements of the Luxembourg bank supervisory authorities, lending business processes are characterised by a clear organisational separation of the front and back office, right up to the Board level.

The Loans (Lending – Market segment) and Credit Risk Management (Lending – Back Office), Finance & Risk, Financial Markets & Sales and Clients divisions in particular are integrated into this system.

The Board of Directors is responsible for the general credit risk management of the portfolio. It is supported in this by the LRC, which creates the connection between the individual loan decision and portfolio management as well as an analysis across all types of risk. To this end, the LRC recommends various instruments to the Board of Directors, such as the ordering of an acquisition stop, the limitation of national, industrial or borrower-related risks, or the placement of exposures or sub-portfolios.

The management of the lending portfolio focuses on opportunities and risks. With regard to the early detection of crisis situations, structured procedures and processes for the standardised collection of risk-related information and its transformation into counter measures are used within the scope of the risk management process. In the context of credit risk, there are appropriate processes, systems and guidelines on the early identification of risks at both the portfolio and individual borrower levels. Taking into consideration existing risk limits, qualitative early warning indicators are derived on the basis of this standardised infrastructure for the purpose of identifying crisis situations and initiating risk mitigation measures.

The Bank's credit risk management is based on the concepts of NORD/LB and is continuously improved in accordance with economic and regulatory criteria and, if necessary, adjusted to the bank's specific characteristics.

Control and Monitoring

In order to assess the credit risk of individual borrowers, a rating or credit rating category is determined by NORD/LB for each borrower by means of an initial or annual creditworthiness assessment or on an ad-hoc basis and provided to NORD/LB CBB. The rating modules used in the process were either developed within the scope of various projects in the allied business with savings banks and regional banks or were developed by NORD/LB itself.

In order to control the risks at the individual transaction level, specific limits are set for each borrower within the scope of the operational limiting, which act as an upper lending limit. Significant parameters for deriving these limits are the creditworthiness of the debtor expressed as a rating and the free funds available to it to operate the debt service.

Risk concentrations and correlations at the portfolio level are mapped as part of the quantification of the credit risk potential in the credit risk model. Moreover, risk concentrations at the NORD/LB Group level are limited and monitored via "strategic limiting" for the identification and monitoring of risk concentrations at the country and sector level as well as on the basis of borrower units within the scope of the large exposure management limit model. In addition to this superordinate limiting, there is also limiting of counterparty, country and sector concentrations at NORD/LB CBB based on the risk-bearing capacity of the Bank.

The independent monitoring of the portfolio in relation to strategic and operational standards is performed by the Bank's Finance & Risk division.

Securitisation

Securitisation transactions are subject to a strict approval and monitoring process, so that potential risks can be identified and managed before and after conclusion of the contract.

NORD/LB CBB has taken over two securitisation positions from NORD/LB Luxembourg. As a sponsor, it consequently provides a liquidity facility within the scope of the allied business with NORD/LB to improve the credit quality of the Asset-Backed Commercial Paper (ABCP) Conduit programme of NORD/LB. The Bank also acts as an investor within the scope of accounts receivable purchasing. This exposure is fully guaranteed by NORD/LB.

The Bank uses the IRB approach to measure these two securitisations as part of the process of determining the capital requirement.

From the Bank's viewpoint, the two aforementioned securitised positions are to be rated as posing less of a risk.

Measurement

Credit risks are quantified on the basis of the "Expected Loss" and "Unexpected Loss" risk figures. Expected loss is determined on the basis of one-year default probabilities taking into account recovery rates or resultant loss ratios.

The unexpected loss for the credit risk is quantified at NORD/LB CBB using an economic credit risk model for various confidence levels and a time horizon of one year. The credit risk model used by all of the units in the NORD/LB Group incorporates correlations and concentrations into the risk assessment and is subject to an annual review and validation.

The credit risk model determines the unexpected loss at the level of the overall portfolio. The model used is based on the basic model CreditRisk+. It involves representing systematic sector influences on the distribution of loss using correlated sector variables. The estimate of the probability of default (PD) draws on the internal rating procedure. The loss quotas (loss given default or LGD) are defined on a transaction-specific basis.

The credit risk model works with a simulation process, which also takes into account specific interdependence among the borrowers themselves, e.g. on the basis of group structures. In addition to losses through default, losses which could emerge from rating migrations are also taken into account.

The methods and procedures for quantifying risk are coordinated among the companies defined as key within the NORD/LB Group in order to ensure a standardised approach within the NORD/LB Group. The current risk management and control procedures are implemented for the Bank by the Finance & Risk division, taking into account any characteristics specific to the Bank.

In order to calculate the capital required for credit risks, the Bank uses the Internal Ratings Based Approach (IRBA). An exception to this is a few portfolios where the credit risk standard approach is used. The Bank has permission via its parent company to use their rating system and to apply credit risk minimisation methods.

Reporting

As part of the management information system, the Finance & Risk division prepares a detailed lending portfolio report on a quarterly basis for the Board of Directors and for the members of the LRC, in order to make existing risks or risk concentrations at the Bank transparent at an early stage and if required, initiate any necessary measures. The lending portfolio reports are also discussed at the meetings of the Supervisory Board.

The lending portfolio report compiled by the Risk Control department, essentially focuses on economically determined key risk figures (expected loss, unexpected loss) and thus has a direct relevance to the risk-bearing capacity perspective.

As well as a detailed presentation of the lending portfolio by business segment, rating categories, sectors and regions, the report contains quantitative and qualitative analyses of selected borrowers and individual commitments. The report also covers the development and performance of regulatory key figures as well as credit risk specific stress tests.

In addition, the Credit Risk Management department provides the Board of Directors and members of the LRC with additional regular and event-driven reports on the Bank's lending portfolio, for example on risk concentrations in borrower units, country and sector concentrations, and commitments requiring comment (credit risk watchlist).

Developments as at the reporting date

The maximum credit default risk amount for reported and off-balance sheet financial instruments is EUR 18.2 billion at NORD/LB CBB as at the reporting date.

Risk-bearing financial instruments	**Maximum default risk amount**	
In EUR million	01.01.2015	01.01.2014
Loans and advances to banks	1,398.8	2,163.1
Loans and advances to customers	6,199.1	5,174.5
Financial assets stated at fair value through profit or loss	1,336.5	244.4
Positive fair values from hedge accounting	359.8	269.8
Financial assets	7,322.9	8,866.5
Sub-total	**16,617.2**	**16,718.3**
Guarantees on behalf of third parties	179.3	164.6
Non-utilised credit commitments	1,422.2	1,096.3
Total	**18,218.7**	**17,979.2**

In comparison to the following tables on overall exposure, which are based on the data provided internally to management, the maximum credit default risk amount in the above table is shown at book value.

The differences between the total of the overall exposure according to internal reporting and the maximum credit default risk amount result from the different areas of application, from the definition of the overall exposure for internal purposes and from different accounting and valuation methods.

The basis for the calculation of the credit exposure is the drawdown (in the case of guarantees, the nominal value; in the case of securities, the book value) and the credit equivalents from derivatives (including add-on and taking netting into account). Irrevocable lending commitments are included in the credit exposure at 42.5% (previous year 45%) and revocable credit commitments at 37.5% (previous year 25%), while securities are not taken into account.

Analysis of Credit Exposure

NORD/LB CBB uses the standard IFD rating scale, which the banks, savings banks and associations that participate in the Initiative Finanzstandort Deutschland (IFD – Initiative on Germany as a Financial Centre) have agreed upon, in order to classify the credit exposure according to rating categories. This has been designed to improve the comparability of the various rating levels of the individual financial institutions. The rating categories of the 18-tier DSGV rating master scale used as standard at NORD/LB CBB can be transferred directly into the IFD categories.

The credit exposure of NORD/LB CBB as at 1 January 2015 is EUR 20.7 billion.

The following table shows the rating structure of the entire credit exposure – divided into product categories and the totals compared with the structure of the previous year*:*

Rating Structure [1) 2)]	**Loans [3)]**	**Securities [4)]**	**Derivatives [5)]**	**Other [6)]**	**Total**	
in EUR million	01.01.2015				**01.01.2015**	**01.01.2014**
Very good to good	9,553.3	7,445.9	283.0	0.0	**17,282.2**	**17,895.7**
Good / satisfactory	804.1	851.3	2.7	0.0	**1,658.1**	**2,141.5**
Still good / adequate	296.7	204.4	8.2	0.0	**509.4**	**521.0**
Increased risk	687.5	261.9	0.0	0.0	**949.4**	**727.0**
High risk	126.6	0.0	0.0	0.0	**126.6**	**132.2**
Very high risk	12.6	0.1	0.0	0.0	**12.6**	**51.9**
Default (= NPL)	117.7	19.4	1.1	0.0	**138.2**	**188.2**
Total	**11,598.5**	**8,783.0**	**295.0**	**0.0**	**20,676.6**	**21,657.4**

1) Classification in accordance with IFD rating categories
2) Differences in amount are rounding differences
3) Includes loans taken up or loan commitments, sureties, guarantees and other non-derivative off-balance sheet assets, the irrevocable credit commitments being included at 42.5% and the revocable ones at 37.5%, as in the internal reporting
4) Includes the Bank's own portfolio of securities of external issuers (investment book only)
5) Includes derivative financial instruments, such as financial swaps, options, futures, forward rate agreements and currency transactions
6) Includes other products such as transmitted loans and administrative loans

The majority of total exposure (83.6 %) is in the "very good to good" rating category. The proportion of this rating, the best rating category, in the total exposure continues to be very high due to the large volume of business conducted with financing institutions and public administrative offices.

The classification of total credit exposure into sectors is as follows:

Sectors [1) 2)] in EUR million	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
	01.01.2015				**01.01.2015**	**01.01.2014**
Financial institutes / insurers	6,039.9	4,615.2	276.6	0.0	**10,931.7**	**12,941.3**
Service industry / other	2,035.9	3,743.4	4.0	0.0	**5,783.3**	**5,179.6**
- *of which real estate and residential*	*420.6*	*0.0*	*2.6*	*0.0*	***423.3***	***363.8***
- *of which public administration*	*23.0*	*3,737.4*	*0.2*	*0.0*	***3,760.6***	***3,624.4***
Transport / news broadcasting	628.6	95.5	0.8	0.0	**724.9**	**594.9**
- *of which shipping*	*14.2*	*0.0*	*0.0*	*0.0*	***14.2***	***22.4***
- *of which air transport*	*33.9*	*0.0*	*0.0*	*0.0*	***33.9***	***26.3***
Processing industry	1,345.3	0.0	1.7	0.0	**1,347.0**	**1,391.9**
Energy, water supply, mining	1,054.4	328.9	4.1	0.0	**1,387.4**	**1,225.5**
Trade, maintenance, repair	371.7	0.0	7.8	0.0	**379.5**	**286.1**
Agriculture, forestry and fishing	13.2	0.0	0.0	0.0	**13.2**	**3.6**
Construction industry	109.4	0.0	0.0	0.0	**109.4**	**34.6**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**11,598.5**	**8,783.0**	**295.0**	**0.0**	**20,676.6**	**21,657.4**

1) Classification same as internal reporting according to economic criteria
2) to 6) See previous table on rating structure

The table shows that the hitherto generally relatively low-risk business with financing institutions / insurance companies with good credit ratings, at an overall proportion of 52.9 %, makes up a significant share of the overall exposure. Including public administration, the proportion of the overall exposure amounts to 71.1 %.

A breakdown of the total credit exposure by region is as follows:

Regions [1) 2)] in EUR million	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
	01.01.2015				**01.01.2015**	**01.01.2014**
Euro states	9,584.4	5,352.1	162.8	0.0	**15,099.3**	**16,420.8**
-of which Germany	*7,953.4*	*2,189.6*	*155.9*	*0.0*	***10,298.9***	***9,194.8***
Other Europe	1,103.7	1,228.6	96.2	0.0	**2,428.7**	**2,347.9**
North America	891.5	1,797.2	35.9	0.0	**2,724.6**	**2,372.1**
Central and South America	4.7	14.1	0.0	0.0	**18.7**	**19.1**
Middle East / Africa	6.2	0.0	0.0	0.0	**6.2**	**102.4**
Asia / Australia	8.1	390.9	0.1	0.0	**399.1**	**395.2**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**11,598.5**	**8,783.0**	**295.0**	**0.0**	**20,676.6**	**21,657.4**

1) Classification same as internal reporting according to economic criteria
2) to 6) see previous table for rating structure

The Bank invests almost exclusively in economically strong regions. The country risk tends to be of low importance due to the good country ratings. The Eurozone, comprising a high proportion (73.0%) of the loans, is by far the most important business region.

Non-performing Loans (NPL)

In accordance with the impairment policy, specific value adjustments are established at the Bank for acute borrower's default risks in the event of the presence of objective indications. Loan loss provision requirements are based on a cash equivalent consideration of anticipated interest and redemption payments as well as on earnings from the realisation of collateral.

The latent borrower's default risk for the total amount of reported and off-balance sheet transactions, for which there are no specific value adjustments, is accounted for by means of portfolio-based provisions for impairments which have already occurred, but were not known on the reporting date.

The Bank's risk provisions (including loan loss provisions) totals EUR 59.3 million on 1 January 2015 and in addition to portfolio-based loss provisions in the amount of EUR 24.6 million, includes specific value adjustments in the sum of EUR 34.2 million. EUR 17.9 million of that amount is attributable to one borrower from the processing industry and EUR 15.9 million to one borrower from the service industry. The remaining EUR 0.4 million was allocated for a borrower in the construction industry.

In addition, provisions for off-balance sheet risks were allocated in the sum of EUR 0.6 million for one borrower from the processing industry.

For two securities from Heta Asset Resolution AG in the portfolio, the values in the non-consolidated financial statements of NORD/LB CBB were adjusted on the basis of knowledge gained when preparing the opening balance by an impairment in the sum of EUR 9.4 million taken into account at the level of the consolidated financial statements of NORD/LB Luxembourg.

Outlook

Over the course of the year, measures are planned for the further optimisation of the models for quantifying and controlling credit risks. As well as further developing the economic credit risk model (including revising the sector schematic), the loss data collection for the validation of the LGD and Credit Conversion Factor (CCF) components will also be further expanded. The introduction of a backtesting procedure for model validation is also planned at the NORD/LB Group level.

Participation Risk

Participation risk is also a component of counterparty risk. It describes the risk that losses may arise by providing equity to third parties. In addition, participation risk also includes the risk of a potential loss due to other financial obligations, if it has not been taken into account in other risks.

Along with original participation risk, a country risk (transfer risk) arises in connection with international capital services.

Strategy

The main motive behind the investment strategy of NORD/LB CBB is to secure and strengthen its own market position. The secondary aim is to suitably complement the business activities of the NORD/LB Group.

The Bank's interests in relation to the investments are mainly protected using centrally-specified key economic figures or definite terms of reference. The objectives are effective control and to ensure transparency vis-à-vis third parties.

Structure and Organisation

In terms of organisation, participation controlling is located in the Finance & Risk division, which monitors the participation risk in cooperation with other divisions and supplies the necessary information to the management units. The Bank's internal auditors are also involved in monitoring participation. The implementation of the guidelines is ensured via seats on the main governing bodies of the subsidiaries.

The risks that arise from entering into a participation are controlled and monitored by the Bank's Board of Directors.

Furthermore, an investment analysis of the NORD/LB CBB subsidiaries is conducted by Investment Management at NORD/LB.

Control and Monitoring

Participating interests are monitored regularly by analysing reports drawn up during the year, interim and annual financial statements and audit reports prepared by the external auditors. The Bank exercises the control function by assigning representatives of the Bank to operational mandates in the companies or by exercising its Administrative Board function. Moreover, the Bank has established committees in which the control-relevant topics are also discussed.

Developments as at the reporting date

The participation in Skandifinanz AG, which is insignificant in terms of the risk strategy, is no longer taken into consideration in the regulatory consolidation or consolidation under commercial law.

The subsidiary, Galimondo S.à r.l., established in the third quarter of 2014, is likewise an insignificant participation in terms of risk (book value of the participation: EUR 12,500). A capital requirement resulting from counterparty risks is determined for this participation and a deduction made in the regulatory capital. For materiality reasons, a quantification is not carried out as part of the risk bearing capacity.

Outlook

The intragroup sale of Skandifinanz AG to Nord-Ostdeutsche Bankbeteiligungs GmbH took place in the first quarter of 2015.

Market Price Risk

Market price risks are potential losses which may be incurred as a result of changes in market parameters. The Bank has further divided market price risk into interest rate risk, currency risk, volatility risk, fund price risk and credit spread risk.

The interest rate risk consists of the general interest rate risk and specific interest rate risk components. A general interest rate risk will always occur when the value of a position or portfolio reacts to changes in one or more interest rates or to changes in complete interest rate curves and these changes could result in an impairment of the position.

According to the regulatory definition, potential changes in value are subsumed in the specific interest rate risk, and can arise due to rating migrations or from the failure of issuers (in the case of securities) or the reference entity (in the case of credit derivatives). In the NORD/LB Group, it is understood as the specific interest rate risk of the issuer risk.

The interest rate risk is therefore equivalent to the general interest rate risk as the NORD/LB Group defines it. Therefore, no distinction is made in the internal reports of the NORD/LB Group between the interest risk and the general interest rate risk.

Currency risks arise when the value of a position or portfolio reacts sensitively to changes in one or more currency exchange rates and the change to the exchange rates could impair the position.

The volatility risk describes the risk that the value of an option position might react to potential price changes resulting from market movements in the volatilities used to value the option, and that these changes could lead to a reduction in value of the position.

The fund price risk describes the risk that the value of a position may react to changes in one or more fund prices and the changes in the fund price could lead to a value reduction of that position.

The credit spread risk denotes potential price changes which arise if the credit spread applicable to the respective issuer, borrower or reference debtors and used in terms of the market valuation of the position changes.

Strategy

The activities associated with market price risks in the Financial Markets & Sales business segment are concentrated on selected markets, customers and product segments. The positioning of NORD/LB CBB in the money, foreign exchange and capital markets should correspond to the importance and size of the Bank and is primarily guided by the requirements of the clients and the support of the overall bank management. The Bank does not operate any opportunistic positioning beyond this.

The focus of the trading activities is on interest rate products and, in particular, in the Financial Markets & Sales segment. The biggest risk positions result from interest rate derivatives and securities. The aim is to generate results within the scope of the established market price risk limits from maturity transformation and to participate in the general market developments within the framework of these risk limits.

Significant credit spread risks result from the securities taken over from the predecessor institutions. The Bank aims to use the credit spread until the final maturity of the position. Therefore maturity matching refinancing of investments is striven for.

The focus of activities in relation to the Pfandbrief business is on loan products in the loan management – near-municipal undertakings segment. The aim of the Bank’s hedging strategies is to rule out the interest rate and currency risks as far as possible by using appropriate hedges and thus generate profits via the interest contribution and the credit spread within the scope of the defined risk limits that apply to the whole bank.

Structure and Organisation

All divisions that manage market price risk bearing positions and bear gains and losses arising from market changes are included in the process of controlling market price risks.

The market price risks are managed operationally by Trade or the ALM/Treasury department. The strategic control of market price risks is supported by the Asset Liability Committee (ALCO). The ALCO is an advisory body, which meets at least six times a year and defines the framework conditions for the strategic control of the market risk positions, liquidity and interest rate risk positions and the investment books at NORD/LB CBB. At the same time, the focus is on the goal of profitability optimisation of the risk capital tied into the positions.

The ALCO prepares recommendations for action as a decision basis for the board of directors, taking into account the (current) market situation and its effects on the liquidity and funding situation.

The Risk Controlling unit (Finance & Risk division) of the Bank is responsible for monitoring the risks.

In accordance with national requirements and the German MaRisk, Risk Controlling operates independently of the divisions responsible for market price risk management, in terms of both function and organisation, and performs various monitoring, limiting and reporting activities for the Bank.

Control and Monitoring

In order to control and monitor, including limiting, the market price risks of NORD/LB CBB, a Value-at-Risk (VaR) procedure that is standardised within the NORD/LB Group is used for all of the Bank's portfolios. The VaR limit for market price risks is derived overall from the RBC model. Competency for the allocation to sub-limits for individual portfolios is delegated by resolution of the Board of Directors to the heads of Financial Markets & Sales and Finance & Risk.

Compliance with the limits is monitored by Risk Controlling. Any possible losses are set off against separate loss limits and lead to a reduction in the VaR limits based on the principle of self-depreciation. Correlation effects between the portfolios are taken into account both in the VaR calculation and in the derivation of the sub-limits.

Measurement

The value-at-risk key figures are determined on a daily basis using the historical simulation method. In the process, a group-wide standard unilateral confidence level of 95% and holding time of one trading day are applied or 250 days in the case of the credit spread value-at-risk. Each month, Risk Controlling produces another VaR calculation within the scope of calculating the risk-bearing capacity.

The VaR analysis is based on historical changes to risk factors over the last twelve months. The models take account of correlation effects between the risk factors and sub-portfolios.

VaR models are especially suitable for measuring market price risks in normal market environments. The method of historical simulation used is based on data relating to past events and to this extent depends on the reliability of the time series used. The VaR is calculated on the basis of the portfolios received by the end of the day and therefore does not cover possible changes in positions occurring during the day.

The prediction quality of the value-at-risk model (VaR and CSVaR) is verified with comprehensive backtesting analyses. This involves the comparison of the daily change in value of the respective portfolios with the value-at-risk of the previous day. A "backtesting" outlier occurs if the observed negative change in value exceeds the value-at-risk.

In 2014, the number of outliers in relation to the VaR and CSVaR at the overall bank level according to the Basel approach was in the green region at each of NORD/LB CBB's predecessor institutions.

In addition to the daily VaR control, the effects of extreme market changes on the risk positions are examined within the scope of monthly stress test analyses.

In addition, interest rate 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, for the various product types and in maturity bands.

Reporting

In accordance with MaRisk, Risk Controlling, which is independent of the areas responsible for the positions, reports the market price risks (VaR and CSVaR) to the head of Financial Markets & Sales and the Board of Directors on a daily basis.

Along with the value-at-risk analyses, the head of Financial Markets & Sales and the Board of Directors are informed on a monthly basis with regard to the CSSF stress test as well as the effects of additional stress scenarios and the results of the backtesting.

The entire Board of Directors is informed comprehensively on a daily basis with regard to the market price risks and the earnings position. Reporting also takes place in the form of weekly and monthly risk reports. The market price risks also flow into the cross-risk type reports on the risk-bearing capacity.

Developments as at the reporting date

Analogous to the determination of the market price risks in the risk-bearing capacity model, there is also a scaling of the value-at-risk indicators in the daily control with a stabilising adjustment factor, which is calculated based on statistical long-term analyses of the market price risk factors that are significant to the Bank. In very calm market phases, the factor has the effect of increasing the calculated value-at-risk values by 50% to 60%, as at the reporting date.

The value-at-risk at NORD/LB CBB on the first trading day of 2015 amounts to EUR 2.5 million (previous year EUR 1.2 million) with a limit of EUR 3.8 million. The annual average utilisation of the value-at-risk limit at the Bank's predecessor institutions was 64.1%, the maximum utilisation was 72.5% and the minimum utilisation was 50.0%.

The market price risks have risen significantly as compared to 1 January 2014 due to the integration of additional credit spread risks associated with the change to an IFRS-based logic that took place in the first quarter of 2014. Nevertheless, they were at a moderate level over the course of the year relative to allocated economic capital and the limits derived from them.

The security positions in connection with the interest rate and liquidity control of the Financial Market division lead to a focus on the market price risks arising from credit spreads. Interest rate risks mainly result from transactions in EUR.

On the first trading day of 2015, interest rate risks are measured in the amount of EUR 0.8 million, foreign currency risks in the amount of EUR 0.2 million, volatility risks in the amount of EUR 0.03 million and credit spread risks in the amount of EUR 1.4 million.

With regard to the interest rate risks in the investment book, the effects of a standardised interest rate shock are also analysed monthly in accordance with the requirements of CSSF Circular 08/338. The result continues to be far below the regulatory threshold, which provides for a maximum proportion of 20% of authorised equity capital.

For calculating the capital required for interest, currency and price risks, the Bank uses the standard method according to CRR. Taking into account the requirements based on the adjustment of the credit assessment (CVA), a capital requirement in the amount of EUR 8.4 million was calculated for the market price risk as at 1 January 2015.

In contrast to the credit spread risks of the IFRS categories HfT, AfS and dFV, the credit spread risks of the LaR stocks are not included in the value-at-risk for market price risks, since this focuses on the going concern perspective 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 time of 250 days. The limit is derived from the gone concern perspective of the risk-bearing capacity model.

On the first trading day of 2015, the credit spread value-at-risk of the LaR portfolio at NORD/LB CBB amounts to EUR 84.9 million with a limit of EUR 134 million. The average utilisation of the limit in the first half year at the predecessor institutions was 51.9%, the maximum utilisation was 64.4% and the minimum utilisation 38.8%.

Outlook

NORD/LB CBB is not expecting any significant increase in the market price risk in 2015. With respect to the future development of the credit spread risks, the Bank anticipates a sideways movement.

In the first half-year, the Bank will strive to invest its capital in accordance with the Group's philosophy. Furthermore, it remains the Bank's aim to acquire assets eligible for the cover pool mainly from the lending business and less from the securities business.

Liquidity Risk

Liquidity risks comprise risks which may result from problems in the liquidity of individual market segments, unexpected events in the lending, deposit or issue business, or deteriorations in the Bank's own refinancing conditions. In the understanding of the Bank, placement risk is part of the liquidity risk. It describes the risk that the Bank's own issues cannot be placed on the market or can only be placed only at poor conditions.

The Bank differentiates between the following characteristics of liquidity risk within the scope of its liquidity management:

Classic liquidity risk

Classic liquidity risk is defined as the risk that payment obligations cannot be met at all or not on time. A potential cause can be a general disruption in the liquidity of the money markets affecting individual banks or the whole financial market. In particular, market disruptions may lead to important asset classes no longer being available for use as securities. Alternatively, unexpected events in the Bank's own lending, deposit or issue business can also be a cause of liquidity bottlenecks. The assessment focuses on the next twelve months in the NORD/LB Group.

Refinancing risk

Refinancing risk refers to potential decreases in earnings for the Bank as a result of the change in its own refinancing conditions on the money market or capital market. The most significant cause of this is a change in the estimation of the Bank's credit rating by the other market participants. The focus of this assessment is the entire maturity range. The spread risks from cross-currency swaps are also taken into consideration by examining the individual currencies.

Market liquidity risk

Market liquidity risk defines the potential losses that the Bank will have to bear if it needs to conclude transactions under conditions which are not in line with the fair market value due to a lack of liquidity in individual market segments. Market liquidity risks can particularly arise from security positions in the trading and investment books.

Strategy

The liquidity risk strategy of the Bank is aligned with the recommendations published by the EBA on efficient liquidity risk management, the requirements derived from them by the Luxembourg regulatory authorities and the Central Bank, as well as the requirements pursuant to MaRisk.

To this end, NORD/LB CBB has implemented a liquidity sub-strategy within the risk strategy, a liquidity policy and a contingency funding plan, all of which take these requirements into account.

In its role as a special bank in the field of covered finance, NORD/LB CBB contributes to the diversification of the financing basis of the NORD/LB Group.

Ensuring liquidity at all times represents a strategic necessity for the Bank. While classic liquidity risk is principally to be avoided by maintaining a sufficient supply of liquid assets (in particular central bank eligible securities), a structural liquidity maturity transformation is undertaken for the refinancing risk. In both cases, the risks are mitigated by means of suitable (volume structure) limits.

The limit for the classic liquidity risk serves to ensure the ability to pay even under a conservative stress scenario. The limit for the refinancing risk (in the form of volume structure limits and present value liquidity risk cost limits) is derived from the risk strategy and the risk-bearing capacity model. The following operational limits therefore currently emerge for the liquidity risk: present value limit and the volume structure limits for the overall position and the USD and GBP currencies.

In order to limit the market liquidity risk, the Bank mainly conducts trade transactions on markets which have also proven to be adequately liquid during the tense market phases of the last few years. This particularly applies to all transactions in the trading book. The security holdings in the trading book mainly consist of issues from first-class issuers.

Securities held for liquidity management are generally selected according to the criteria of first class creditworthiness of the issuers, high convertibility and central bank eligibility. The holding of securities essentially serves to support liquidity and hedging management in terms of collateral management, including cover pool management. The collateral eligibility of securities (for example at central banks and within the scope of repo transactions) plays a central role in Treasury's liquidity management.

The corporate policy principles for the liquidity risk in the NORD/LB Group are defined in the Global Group Liquidity Policy (GGLP). In addition, the individual banks in the NORD/LB Group have policies on liquidity management, which constitute the strategic guidelines for ensuring adequate liquidity. The measures for liquidity management in emergencies and crises are described in contingency plans. Moreover, the applicable working directives, applicable sections of the (NORD/LB Group) risk handbook and NORD/LB CBB’s methodology handbook all apply.

Risk concentrations on the liabilities side are eliminated through a diversified investor basis and broad range of products. The focus is on institutional and public investors, which complies with the appropriate risk-based orientation of the Bank.

Structure and Organisation

The Financial Markets & Sales and Finance & Risk divisions are involved in the process of liquidity risk management.

The ALM/Treasury department (Financial Markets & Sales division) assumes the lead role in the management of the liquidity risk at overall bank level and carries the gains and losses resulting from the changes in the liquidity situation. The strategic management of the liquidity risks is supported by the ALCO.

Risk Controlling (Finance & Risk division) is responsible for monitoring the liquidity risks. It assumes control functions in the calculation of the refinancing risk as well as in ascertaining and monitoring the classic liquidity risk and plays a key role in the introduction and improvement of internal procedures for measuring, limiting, and monitoring liquidity risks.

The CFP (Contingency Funding Plan) action committee is ready in case of an emergency and will take over liquidity management in close cooperation with the Board of Directors.

Control and Monitoring

NORD/LB CBB’s refinancing risk is limited by present value limits and maturity-dependent volume structure limits, which are derived from the risk-bearing capacity. The assessment of the liquidity flows is also undertaken separately by currency.

The classic liquidity risk is primarily limited on the basis of an analysis of a dynamic stress scenario. The scenario describes the respective most probable crisis situation and thus on the reporting date, the risk of a rating downgrade in connection with the shipping portfolio as well as a market environment which is still characterised by the economic problems of the EU periphery states. The analysis is performed on the basis of liquidity cash flows and covers the next twelve months on a daily basis. For products without definite liquidity flows and for optional components (e.g. from irrevocable loan commitments), models of the market situation are made, which are subject to regular validation.

With the aid of the limit system it is ensured that even in a stress situation, there are liquidity surpluses for at least three months. Therefore, ensuring the permanent ability to pay in this maturity band is given preference over possible opportunities to generate profits. Taking profitability aspects into consideration, the aim is to guarantee a liquidity surplus of at least six months in the dynamic stress situation.

In addition, the dynamic stress scenario is complemented by additional static stress tests. These tests cover a NORD/LB-specific scenario, the alternative scenario of a comprehensive liquidity crisis, along with a short-term scenario for a market-wide liquidity problem.

One aim of risk monitoring that should be emphasised is the early identification of risks. In terms of the liquidity risks, the early warning indicators particularly include the liquidity stress test performed every business day, potential crisis triggers (trigger events) and warning indicators in accordance with the Global Group Liquidity Policy.

Market liquidity risks are accounted for implicitly by means of distinguishing securities in the liquidity progress review in accordance with their market liquidity. On the basis of a detailed security liquidity class concept, they are classified into main categories based on the liquidity grade of the individual security and also into respective sub-categories (e.g. according to central bank eligibility and rating). They are depicted in the liquidity progress review depending on the liquidity class in the maturity range between daily and final due date.

When classifying the securities into liquidity classes, the usefulness as collateral, i.e. the suitability of the security to cover repo transactions, at central banks or for covering Pfandbriefe (covered bonds) is of central importance, alongside tradability.

The Funds Transfer Pricing (FTP) is also part of the management and control of liquidity and liquidity risks. The principles of the corporate policy for the Funds Transfer Pricing System (FTP System) of the NORD/LB Group are formulated in the Group Funds Transfer Pricing Policy (Group FTP Policy). The FTP System complements the market interest rate method with its methods, procedures and processes for determining and offsetting market-oriented internal transfer prices for utilising and providing liquidity as well as for assuming liquidity risks between Market and Treasury units.

Measurement

The Bank calculates the utilisation of volume structure limits for the various maturity bands on the basis of a liquidity progress review of the entire position and for major currencies. The liquidity risk is quantified in a risk-bearing capacity concept, resulting from the consideration of the refinancing risk in cash terms. Operational limits for the refinancing risk in cash terms as well as maturity and currency dependent volume structure limits are derived from this.

The current liquidity flows form the basis for the calculation of the dynamic and static stress scenarios for modelling the classic liquidity risk. These are stressed to the extent that they reflect a crisis situation. Therefore, e.g., the assumption would be that the Group’s ability to dispose of positions has become limited and there is an increase in the number of borrowers drawing on loans. The stress scenarios can be used to show the effects of unexpected events on the liquidity situation of the Bank. This offers the opportunity to plan for the future and be well prepared for emergencies.

The aforementioned analyses take into account the central importance of the market liquidity of all securities in the portfolio. In addition, the credit spread risks are also taken into consideration for all securities within the scope of the market price risks. Since the market liquidity of the securities is reflected in the spreads observed on the market as well as the creditworthiness of the issuer, the market liquidity of the securities is also considered indirectly within the scope of the risk reporting. A separate risk scale for market liquidity risks is not used.

Reporting

The key liquidity figures are calculated daily by Risk Controlling and supplied to the Trading department for the management of the liquidity risk.

The head of Financial Markets & Sales and Market board members are informed on a daily basis of the classic liquidity risk as well as the refinancing risk of NORD/LB CBB. In addition, these key figures are the subject of reporting to the Board of Directors within the scope of weekly and monthly risk reports. Information is also provided within the scope of a quarterly report on the risk-bearing capacity.

The ALCO monitors the liquidity situation at NORD/LB CBB (the basis being the liquidity progress review, which takes into account all payment flows affecting liquidity – except future interest and margin payments – from Bank products).

As part of monitoring the refinancing structure, a concentration report is compiled, which contains the analysis of the funding. As well as the liabilities side, concentrations of off-balance sheet obligations are also reported regularly to the Market division and the Board of Directors.

A liquidity buffer report is calculated on a daily basis, supplementary to the control of the classic liquidity risk, in accordance with the requirements of MaRisk. The report provides Trading with daily information on the amount of the free assets, which are available over a period of 7 or 30 days as cover or liquidity buffer.

Another key management figure within the scope of the liquidity risk is the Liquidity Coverage Ratio (LCR) pursuant to Basel III. The LCR is the ratio of the portfolio of first class assets to the total net outflow over the next 30 days.

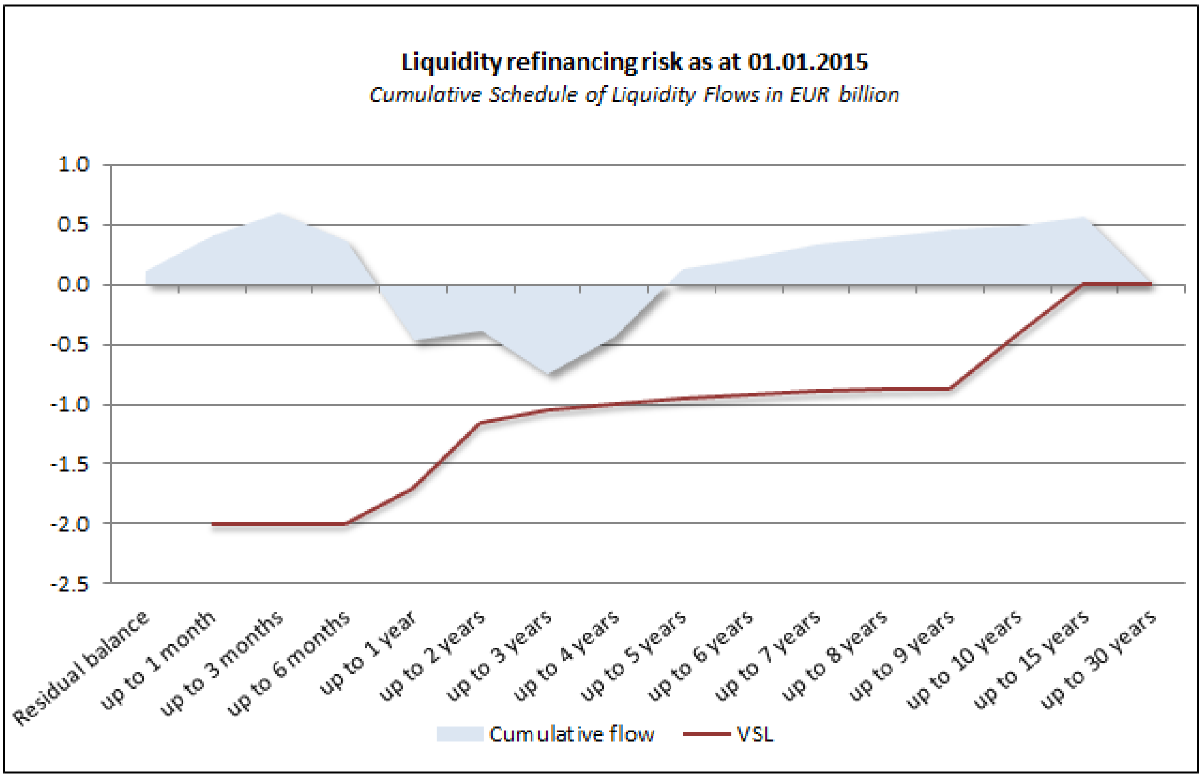
In the case of the liquidity buffers, the first class assets, a distinction is made between Level 1 assets and Level 2 assets, which are given a certain weighting factor depending on their classification. In addition, outgoing payment flows are also modelled under stress conditions (e.g. partial withdrawal of deposits, unscheduled drawdown of unused credit lines and loss of uncovered refinancing).

With regard to the management of the key figures until the final introduction, NORD/LB CBB will report the LCR at monthly intervals and the NSFR (Net Stable Funding Ratio) at quarterly intervals to the Luxembourg regulators and to NORD/LB.

Developments as at the reporting date

The Bank continues to have a balanced funding mix. Due to the business strategy and the local characteristics of the Luxembourg banking centre, there are concentrations with regard to refinancing via banks. Transactions in the area of fixed term deposits with corporate customers also comprise another substantial proportion of the refinancing of the Bank. In addition, the coverage of the refinancing requirement in the “more than two years” segment is predominantly carried out via NORD/LB (uncovered funding).

The aggregated liquidity progress review used for the internal control of the refinancing risk for NORD/LB CBB was as follows on 1 January 2015:



The distance-to-illiquidity (DtI) at NORD/LB CBB on the first trading day of 2015 in the control-relevant dynamic scenario is 193 days. At the predecessor institutions, the DtI was always above 150 days in 2014. Amber phases were consciously managed in consideration of profitability aspects.

The regulatory provisions are complied with at NORD/LB CBB as at 1 January 2015 as well as at the predecessor institutions.

Outlook

By managing its liquidity risk to an extent beyond that required by regulatory provisions, the Bank ensures that it is always in a position to fulfil its payment obligations on time and that it can raise refinancing funds on the market under reasonable conditions.

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

A moderate increase in liquidity risks is anticipated over the course of the rest of the year as a result of the active liquidity management and planned lending business.

Operational Risk

Operational risks are possible events that are unintentional in the view of the Bank and which occur as a result of the inadequacy or failure of internal processes, employees or technology or external influences and lead to losses or significantly negative consequences for the Bank (e.g. an infringement of the law). Strategic risks and business risks are not included.

In accordance with this definition, legal risks and risks arising from changes in legislation, compliance risks, outsourcing risks, dilution risks, fraud risks and vulnerabilities within the scope of emergency and crisis management are included in the operational risk.

- Legal risk denotes the risk that loss or damage may occur due to the lack of or incomplete consideration of the legal framework prescribed by statutory regulations and the administration of justice. Legal risk only exists in the Bank’s external relations. Risks arising from changes in legislation constitutes the risk of a loss due to new legislation or regulations, a disadvantageous change in existing legislation or regulations or their interpretation or application by the courts.

- Compliance risk denotes risks of judicial, official or disciplinary measures which result from improper procedures, processes, etc. (resulting from non-compliance with laws, regulations, codes of conduct and standards) in the internal relations within the Bank.

- Outsourcing risk denotes risks resulting from the outsourcing of activities and processes.

- Dilution risk denotes the risk, with respect to the holding and realisability of a purchased receivable, that the debtor is not obliged to pay the whole amount of the purchased receivable.

- Fraud risk denotes the risks arising from other criminal actions in respect of the Bank, which lead to an avoidable loss of assets or damage to the Bank’s reputation.

- Misconduct risk denotes the risks to a Bank which could arise through the sale of unsuitable products, conflicts of interest when fulfilling business relationships, manipulation of reference interest rates or foreign exchange rates, impeding switches of financial products and unfair handling of customer complaints.

Strategy

NORD/LB CBB pursues the objective of efficient and sustainable management of operational risks, i.e. avoidance or transfer, wherever it is economically feasible. Countermeasures are taken as required if the costs of protection do not exceed the direct costs of the risk that may be incurred or if the Bank's reputation could be significantly affected. Compliance with the pertinent legal requirements must be guaranteed at all times.

Operational risks are taken into consideration in all corporate decisions. Future losses are countered through regulations and the internal control system, but also through a solid risk culture. The awareness and sensitivity of all employees to risks and an open approach to them play a key role in the avoidance of operational risks. Emergency plans serve to limit damage in the event of unexpected extreme events. Very extreme, unforeseeable events are countered by a crisis management organisation. Insurance policies are taken out to actively cover against residual risks.

Operational risks are mostly managed on a decentralised basis, supported by a central methodical framework to identify and assess risks. In order to maintain an up-to-date estimate of the risk situation at all times, a variety of information, such as loss events, risk indicators and scenarios are evaluated on an ongoing basis. Depending on the occasion, suitable countermeasures are taken by the responsible specialist divisions. The suitability and effectiveness of the internal management system are reviewed at regular intervals.

Structure and Organisation

All levels of the hierarchy and departments are involved in the management of operational risks. The Board stipulates the basic method for handling operational risks, taking into consideration the risk situation for the Bank as a whole. Within the defined framework conditions, the responsibility for controlling operational risks is decentralised and is borne by the individual divisions.

NORD/LB CBB has a security strategy and uniform standards in order to protect the Bank from losses efficiently and on a sustained basis. At the same time, the strategy meets statutory and regulatory requirements. The emergency management measures ensure appropriate emergency operations and the quickest possible return to normal operations by means of an interrelated business continuation and recovery plan, which focuses on time-sensitive activities and processes. The superordinate emergency and crisis organisation ensures the capability to communicate and make decisions in the event of escalating emergencies and crises. The strategic and conceptual security, emergency and crisis management (business continuity management [BCM]) tasks are pooled in the Operations division in the role of the Bank's BCM/Emergency Officer.

Risk Controlling, to which the Bank's OpRisk officer also belongs, is responsible for the central monitoring of operational risks and for independent reporting. The Finance and Risk Controlling division at NORD/LB holds the decision-making authority with respect to improving instruments provided across the Group for controlling operational risks. NORD/LB CBB's Risk Controlling unit is involved in improving the methods via regular method boards at the NORD/LB Group level as well as through ongoing informal exchange of information with the experts at NORD/LB. It is also responsible for properly implementing centralised methods and for coordinating the implementation of decentralised methods at NORD/LB CBB.

The Compliance department is organised independently of business operations. It ensures that the Bank has adequate principles and procedures integrated into its processes to meet the requirements of securities trading legislation and so that money laundering, financing of terrorism or other criminal actions can be prevented. The

Internal Audit division is in charge of independently auditing the correct implementation and execution of methods and procedures.

Control and Monitoring

The Bank has established appropriate framework conditions in the form of technical and organisational measures, contractual regulations and the written organisational rules, in order to prevent the occurrence of operational risks in its procedures to the greatest possible extent. Using control and monitoring measures, the Bank makes sure that relevant regulations and standards are met and the compliance of the Bank is ensured.

Process-related and structural organisational risks are countered with well-organised structures and procedures. As soon as weaknesses are identified in the organisation, appropriate countermeasures are initiated. The structures of the internal control system (ICS) are intended to support this and permanently guarantee a regulated interaction of all departments involved in the control and management process for operational risks.

The ICS framework introduced for this purpose – which is standard for all major companies of the NORD/LB Group in terms of risks – focuses on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for internal controls and includes a specific organisational and operational structure. By applying standardised methods and procedures, an adequate and effective ICS is to be ensured across the bank and sustained optimisation is pursued.

The ICS organisational and procedural structure comprises a control loop, which is a recurrent cycle. The superordinate aim is the bank-wide assessment of the ICS on the basis of the consideration of the adequacy and effectiveness of the implemented controls. The control loop is supported by a structure that has been optimised for this purpose. This comprises roles with specific ICS concerns, whose tasks, competencies and responsibilities are defined and separated from each other. Regular reports to the Board of Directors form a component of this control loop.

On the basis of a standard process map within the NORD/LB Group, processes are assessed with regard to their risk content with the aid of a scoring model and subjected to a detailed analysis with respect to the adequacy and effectiveness of the ICS.

An IT-supported ICS tool is used to support the recording, documentation and management of the ICS at the process level.

Safety concepts and contingency concepts have been established for the purpose of protecting persons and tangible assets; among other things, they regulate the use of buildings, the procurement of replacement operating and office equipment, and the supply of energy. The top priority is maintaining the health of employees. To this end, extensive preventative measures are taken, e.g. to prepare for pandemics.

The personnel risk is countered by a permanent, adequate provision of personnel in terms of both quality and quantity. The Bank pays special attention to the qualifications of its employees in the process; the standard of qualifications is reviewed using a system of requirement profiles and employee appraisals. Targeted personal development measures can then be initiated.

In order to protect against criminal actions, money laundering, financing of terrorism and other compliance risks, the NORD/LB Group has established extensive protective and preventative measures. These are continually verified within the scope of control and monitoring activities and constantly improved on the basis of bank-specific risk analyses. If major deficits should emerge in the process, corrective measures are initiated and their implementation monitored.

If there are indications of significant acts of fraud, the further procedure is decided on in an ad hoc committee at the Bank's management level. Employees are made aware of the topic via in-person and online-based training as well as by means of a regular newsletter and ad hoc information on current risks. There is an internal information system for employees and customers that allows them to confidentially submit information (whistle-blowing).

In the IT division, instructions on procedures, alternative capacities and backups ensure that the IT infrastructure is adequately stable. Safety concepts and contingency plans supplement the pre-emptive measures in order to prevent loss or damage resulting from the failure, tampering or manipulation of systems and information. The concepts are tested and updated regularly. In order to prevent the risk of failure of the internal computer centre at the Bank's headquarters, there is a second, physically separate computer centre.

The legal department has to be consulted with regard to hedging legal risks, for example if legal steps are to be initiated and when contracts are concluded which are not based on approved templates. In order to ensure that the requirements of new banking supervisory legislation are implemented correctly, the Compliance department produces a cross-departmental report and informs the specialist departments concerned about the necessary actions to be derived from the new regulations.

The quality of external suppliers and service providers is ensured by the conclusion of service level agreements or detailed specifications as well as through the subsequent control of the relevant key figures. In order to implement the MaRisk requirements on outsourcing, a process for appraising service providers with regard to their essentiality in respect of risk aspects was established. For every major outsourcing relationship, a competent office was designated, which is responsible for the service and risk management of the business relationship.

The Bank is sufficiently insured. The legal department is to be consulted with regard to hedging legal risks, for example if legal steps are to be initiated and when contracts are concluded. Natural disasters and terrorist attacks are defined as force majeure. These risks are handled with contingency planning and a disaster recovery centre.

Measurement

The NORD/LB Group stores all losses arising from operational risks in a loss event database with a de minimus limit of EUR 1,000. NORD/LB CBB participates in this collection of loss events. The data for the loss event database provides the starting point for analyses to support risk management and forms an essential building block for the statistical and mathematical risk model developed by NORD/LB.

The collected loss events are exchanged with other banks in the OpRisk data consortium (DakOR) in anonymised form. The consortium data expand the data base which is used for the internal model. In addition, information in the Öffentliche Schadenfälle OpRisk (ÖffSchOR) [public loss event] database is available, in which press reports regarding major losses from operational risks are compiled, structured and processed. Both data sources are used in scenario analyses and for regular benchmarking.

The collection of historical loss events is supplemented by future components with the aid of the risk assessment methods implemented at the Bank and across the Group. Expert appraisals of the effects of specific scenarios provide detailed insight into the risk situation of the individual divisions, so that relevant measures can be derived if necessary. The scenarios and scope of collection are selected on the basis of analyses of various data sources (e.g. loss events and audit reports) with a focus on the risks. The results are incorporated into the internal model and therefore increase the accuracy of measurement.

Risk indicators are used in the NORD/LB Group in order to detect potential risks early and to tackle them with counter measures. The indicators are selected with a focus on the risks and are reviewed regularly to ensure they are up-to-date. Through a continuous and comparative analysis of loss events, risk indicators and scenarios, the causes of risks are likewise to be identified and risk concentrations avoided. The risk indicator method was also introduced at NORD/LB CBB. The structure of the indicator system focuses on that of the NORD/LB Group, taking into consideration the bank-specific characteristics.

The NORD/LB Group has an internal model to measure the operational risk. A loss distribution approach, which utilises the elements of the extreme value theory, is also used. The distribution parameters are determined on the basis of internal data, scenario analyses and external data from the DakOR consortium. Correlation effects are modelled with the aid of a Gauss copula. Risk indicators in the critical zone have an impact on the model. The value-at-risk calculated using the model is utilised as an internal control parameter for operational risks in the risk-bearing capacity model.

An allocation method, which combines the size indicators with risk-sensitive elements, is used to distribute the results of the model to the individual institutes. The parameterisation of the model is regularly subjected to a comprehensive validation and stress test.

The methods and procedures introduced at NORD/LB CBB fulfil the regulatory requirements regarding the use of the standard approach for operational risks. Amounts qualifying for recognition in terms of operational risk were determined using this approach in the year under report.

NORD/LB Group’s internal model that is used in the overall management of the entire bank and for determining the risk-bearing capacity meets the requirements of CRR on the use of the advanced measurement approach to the greatest possible extent.

Reporting

Within the scope of this continuing risk management process, the results from the collection of loss events, risk assessment, risk indicators and the internal model are analysed, presented at the LRC and communicated to the Board of Directors on a quarterly basis as well as to the competent divisions on an ad hoc basis. All results are included in the quarterly RBC report.

The Board of Directors and Supervisory Board are informed at least once a year with regard to the essential results relating to the appropriateness and effectiveness of the internal control system as well as the analyses of the Compliance department.

Developments as at the reporting date

In 2014, the NORD/LB Group continued on its path to integrated OpRisk management. The existing reporting channels from the ICS, Compliance, Security and OpRisk divisions were used to prepare a standard risk report (Governance, OpRisk & Compliance Report, or “GOC Report” for short) for the NORD/LB Group. This was published for the first time in the first quarter of 2014 for the preceding calendar year and has also been prepared on a quarterly basis since the second half of 2014.

In view of this, the OpRisk Roundtable was transferred into the LRC at NORD/LB Luxembourg in 2014. This committee now also covers risk controlling and credit risk management as well as compliance, ICS and OpRisk.

As per 1 January 2015, the risk potential for the operational risk according to the internal model (confidence level 95%, holding period one year) was EUR 2.2 million at NORD/LB CBB.

Outlook

The path to integrated OpRisk management that has already begun will be continued at NORD/LB CBB in 2015 with the close involvement of the risk control function. A new self-assessment system is currently being piloted for this purpose. The objective is a consistent risk assessment for the OpRisk, ICS and Compliance areas. NORD/LB has already started to introduce this. It is scheduled to be implemented in the banks in the NORD/LB Group during the first quarter of 2015.

Other Risks

Apart from the credit, participation, market price, liquidity and operational risks already presented, there are no other risks identified as significant. The relevant risks of the Bank that are not identified as being major risks include the business and strategic risk (including allied risks), reputational risk, syndication risk, real estate risk, pensions risk and model risk.

The business and strategic risk denotes the risk of an unexpected negative trend in business, resulting in particular from changes in customer behaviour or the competition position, from corporate strategy decisions regarding the alignment of the Bank, including the introduction of new products and entry into new markets, or changes in the general economic environment in which the Bank conducts its business. Risks that have already been covered by the other risk types are not taken into consideration here.

The allied risk (as part of the business and strategic risk) denotes the risk that services have to be rendered due to membership in the security systems of the financial industry, which may have a negative impact on the business performance of the Bank.

The reputational risk denotes the risk that the Bank may incur heavy or sustained losses due to a loss of confidence among customers, business partners, employees, providers or the public.

The syndication risk denotes the risk that syndicate or consortium partners may not be available for the planned consortium transaction and the risks would therefore remain with the Bank.

The real estate risk denotes the risk of negative changes in value of the company's own real estate. Possible causes for negative depreciation could emerge from the property itself (e.g. wear and tear), a decrease in the attractiveness of the location or external causes (e.g. fire, explosion or flooding).

The model risk denotes the risk that the market realities are not adequately depicted as a result of applying simplified or incorrect methods or parameters and the earnings or risk position of the Bank are misrepresented as a result.

The pensions risk denotes the risk of a potential need to increase pension provisions as a result of increased pension expenses and in particular valuation-related effects.

The other risks are discussed at the regular LRC meetings. Within this framework, the current status is discussed with the respective experts for the individual risk types and reported on. Measures to limit them are taken as required.

Within the Bank, the respective specialist departments are directly responsible for keeping risks as low as possible or for preventing them from occurring in the first place. The Bank's Compliance Charter describes which tasks and responsibilities were defined.

In principle, a qualitative risk assessment takes place for the other risks within the framework of risk assessments and the expert roundtable on the "Management of Other Risks". The findings of the analyses are used by the risk officers and incorporated into their activities.

When determining the risk-bearing capacity, a quantitative assessment of the other risks is undertaken in that these are taken into account indirectly via the major risks. Moreover, a portion of the entire cover pool is deliberately kept as a buffer and is used to cover the risk contributions from non-major risks.

Summary and Outlook

NORD/LB CBB has accounted for all known risks appropriately by employing precautionary measures. The appropriate tools have been implemented in order to identify risks at an early stage.

The utilisation calculated in the risk-bearing capacity model shows that the risks were covered at NORD/LB CBB as at 1 January 2015. This was also the case for the predecessor institutions in the previous year. According to the estimation of the Bank, there are currently no risks that threaten its existence.

As at 1 January 2015, NORD/LB CBB fulfilled the applicable regulatory provisions on capital stock and liquidity at all times, as did its predecessor institutions in the previous year.

The methods and processes that are currently used to control significant risks are subject to ongoing verification and are refined as necessary. The improvements for particular types of risk which were specifically targeted in 2015 have been covered in the relevant sections.

Number of employees

The number of personnel at NORD/LB CBB has changed as follows in comparison to the NORD/LB Luxembourg Group:

01.01.2015	01.01.2014	Increase/decrease absolute	Increase/decrease (%)
174	197	-23	-12

The Bank's success is largely driven by the professionalism and competence of its staff.

The Bank takes the further development, training and qualifications of its staff very seriously. Flat hierarchies enable faster response times, which in a dynamic environment are absolutely essential for lasting success. By offering performance-related pay plus appropriate benefits and promoting an innovative and dynamic team culture, the Bank has created opportunities for the personal development of its staff and a motivating and constructive working environment.

As a result of spinning off the Private Banking business segment from the predecessor institution NORD/LB Luxembourg into NORD/LB Vermögensmanagement Luxembourg S.A. with effect from 31 December 2014, 23 employees transferred from the predecessor institution into the new company.

Internal Controls and Risk Management within the Framework of Establishing Financial Data and Organisation

Definition and Objectives

The aim of the internal control system and risk management with respect to financial reporting is for the annual financial statements of NORD/LB CBB to convey a true and fair view of the financial position and performance in accordance with the applicable accounting principles according to the International Financial Reporting Standards, as they are to be applied in the European Union. The term “ICS” (Internal Control System) is used hereinafter.

The aim of proper financial reporting is put at risk by the existence of risks that have an effect on financial reporting. These risks are understood to be the possibility that the abovementioned aim might not be achieved and substantial information in the financial reports could be erroneous. The Bank rates information as substantial if its omission or incorrect statement could influence the economic decisions of the addressees. No distinction is made here between individual or cumulative substantial facts.

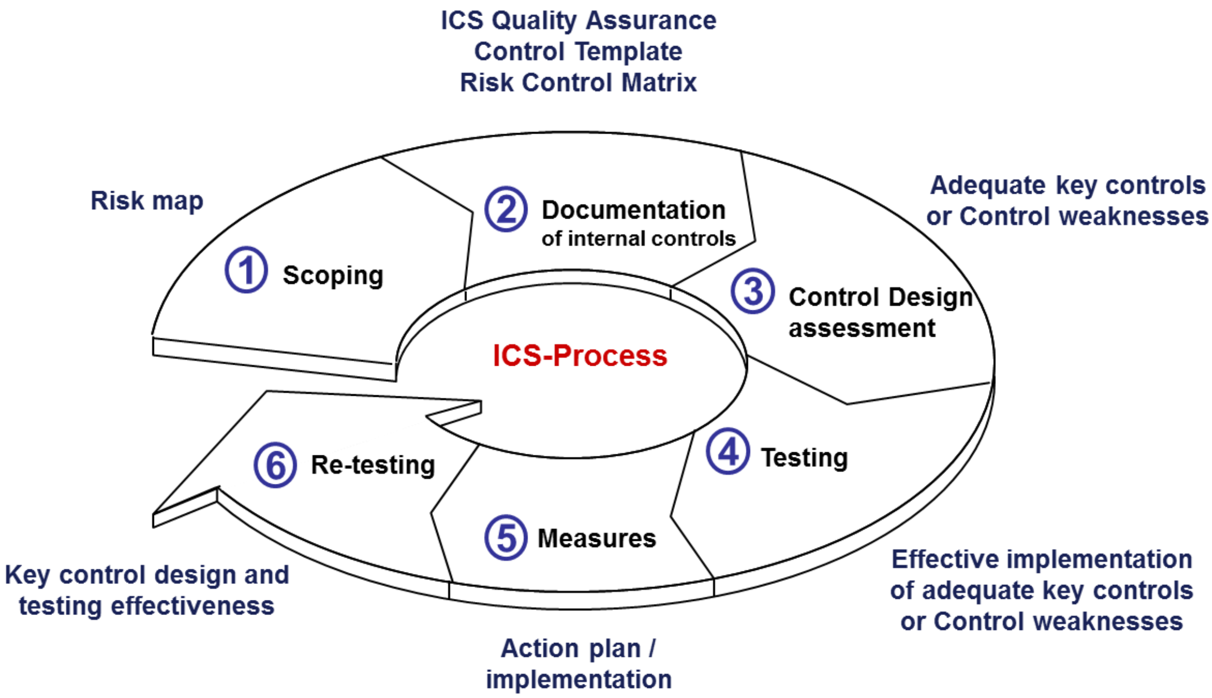
Risks to financial reporting can arise through errors in business processes. In addition fraudulent conduct can lead to a misrepresentation of information. Therefore the Bank must ensure that the risks in relation to erroneous presentation, assessment or reporting of information in financial reports are minimised.

The Bank’s ICS is designed to ensure adequate reliability in relation to compliance with applicable legal requirements, regularity and sound financial management of the business activities and the completeness and accuracy of the financial reports.

At the same time it must be taken into account that despite all of the Bank’s measures, the implemented methods and processes of the ICS can never provide absolute reliability, but can offer adequate reliability. No substantial changes have been made to the ICS for financial reporting since the reporting date.

Summary of the Internal Control System (ICS)

The ICS at NORD/LB CBB is based on the group-wide methodology of the ICS control loop. This ensures a uniform process for assessing the ICS with reference to the key audits.



The existing audits are identified using process mapping and/or documentation (scoping). Each key audit is tested with respect to its audit aims (adequacy) and its effectiveness. Measures for rectifying audit weaknesses are created for possible audit gaps and monitored by the ICS officers. Optimised audits are then tested with respect to their adequacy and effectiveness.

The Bank's ICS is based on the requirements of the banking supervisory body (CSSF), mainly in the updated circular 12/552, and provides for the following four audit levels:

- daily audits by the personnel performing transactions,
- constant critical audits by the persons entrusted with the administrative processing of transactions,
- audits that the members of the authorised management perform with regard to the business activities and functions under their direct responsibility,
- audits by the internal auditors.

The structural organisation of the Bank is defined in an organisational chart, which was created according to the principle of the separation of functions. The joint overall responsibility of the Board of Directors in exercising its powers is borne by the mutual representation of the Member of the Board, among other measures.

The procedures are regulated in the written organisational rules. They are continually monitored and adjusted with respect to changes in the markets, work procedures and external regulations. Organisational charts, work instructions, process descriptions, forms and informative communications form constituent parts. These binding documents are compiled in the Bank's organisational handbook.

The essential business transactions are processed using the “four eyes principle”. The required separation of functions in the business processes is also safeguarded from an IT point of view. Personal and technical capacities are adapted to the scope and nature of the business activity.

Risk Control Function

The risk control function is responsible for anticipating, identifying, measuring, following up, monitoring and reporting all risks that the Bank is or could be exposed to. The results of these activities are compiled in an annual report by the risk control function that is submitted to the Board of Directors and Supervisory Board of the Bank.

Compliance Function

The compliance function performs its activities in accordance with an audit plan approved by the Board of Directors. The Compliance Officer informs the Board of Directors about the audits carried out and their results on a regular basis.

Internal Auditing

The Bank has internal auditors whose aims, functions, duties and position within the organisation of the Bank are defined by the Board of Directors in an auditing charter. The internal auditors report to the Board of Directors on an ongoing basis about each audit they have conducted and their findings. The implementation of the necessary measures to rectify any identified deficiencies are followed up by the internal auditors.

Sustainability Report

Our Conviction

NORD/LB Luxembourg decided to establish a sustainability management system. The sustainability officer started with a small team in 2013. NORD/LB Luxembourg S.A. Covered Bond Bank is continuing this work. The team's work focuses on the requirements of the Group.

The success of NORD/LB CBB can only be sustained in a stable natural environment and only in a society with balanced economic and social relations. This understanding shapes the strategic focus of NORD/LB CBB and the organisation of our business model. At the same time, it is an important contribution to aligning our daily actions with the requirements of our interest groups. Conduct and actions aligned with high standards therefore contribute to our future viability – both in the interests of corporate success as much as out of our responsibility to our customers, staff, the environment and society.

Sustainability as a Strategic Factor

The sustainability strategy forms the basis for our actions. The main focuses of the individual fields of action and specific objectives that we want to achieve by 2020 are documented in the strategy. In a sustainability programme that is continuously updated, we describe the measures are using to strive towards achieving these focuses and objectives. We will be informing our interest groups regularly on our website about the results of our sustainability activities.

Governance

For us, acting with integrity is synonymous with responsible corporate management. This also continuously strengthens the trust that interest groups have in NORD/LB CBB. Our work guidelines contain voluntary commitments which broaden corporate actions to include environmental, social and ethical aspects.

Customers

We want to actively support our customers as they look to the future. We support them in utilising opportunities and reducing possible risks arising from sustainable development and global change. This increases customer satisfaction and ensures customer loyalty to NORD/LB CBB in the sense of lasting partnerships.

Staff

We create the conditions in which our staff can develop their potential – for their own benefit and to the advantage of customers and the Bank. These include offers that foster professional and personal development and a work-life balance as well as providing a healthy, anti-discriminatory work environment where people enjoy working.

Environment

Active corporate environmental protection is an important part of our actions and the corporate responsibility we practice. We reduce our corporate environmental impact through various measures, reduce our energy and resource costs, and thus put less of a burden on both our corporate balance sheet and on the environment. To achieve this, we use state of the art technologies, such as a photovoltaic system.

Company

We are committed to improving the living conditions of people within our sphere of influence and thus also to ensuring the future viability and sustainability of the social environment and community. This includes the training and education of bank employees just as much as supporting community organisations and initiatives. The Bank supports social organisations and counselling centres as well as cultural societies and associations with money and material donations. We will be reporting on our current projects, objectives and future focuses on our website in the future.

Supplementary Report

Skandifinanz AG, Zurich, was sold to Nord-Ostdeutsche Beteiligungs GmbH on 5 March 2015. There are no major effects from the sale.

On 2 March 2015, the predecessor institution, NORD/LB CFB, successfully placed a benchmark bond with a nominal volume of EUR 500 million. The issue was oversubscribed threefold when the order books were closed on the same day.

On 19 May 2015, the rating agency Fitch downgraded the long-term IDR of the predecessor institution, NORD/LB CFB, from “A” to “A-” and the senior debts of NORD/LB CFB from “A” to “A-”. On 9 June 2015, the rating agency S&P downgraded the bank rating of NORD/LB Luxembourg Covered Bond Bank from BBB+ to BBB. The background to this is the introduction of the Bank Recovery and Resolution Directive (BRRD) and its impact on state support.

Apart from these changes described above, there were no other significant events between the balance sheet reporting date of 1 January 2015 and the preparation of these financial statements on 30 June 2015 by the Board of Directors.

Future-related Statements

This report contains future-related statements. They can be recognised through terms such as “expect”, “intend”, “plan”, “seek”, and “estimate”, and relate to current plans and estimates. These statements contain uncertainties, since a large number of factors that have an effect on the business lie outside of NORD/LB Luxembourg S.A. Covered Bond Bank’s sphere of influence. These primarily include the development of the financial markets and the changes in interest rates and market prices. The actual results and developments can differ considerably from the statements made today. NORD/LB Luxembourg S.A. Covered Bond Bank assumes no responsibility and does not intend to update the future-related statements or to correct them if developments are other than expected.

Luxembourg, 30 June 2015

Christian Veit	Thorsten Schmidt
CEO Chairman of the Board of Directors	Deputy CEO Member of the Board of Directors
NORD/LB Luxembourg S.A. Covered Bond Bank	NORD/LB Luxembourg S.A. Covered Bond Bank

Opening Balance (Financial Statements)

For computational reasons, the following tables may contain rounding differences.

The following notes are an integral component of the opening balance.

Balance Sheet

NORD/LB Luxembourg S.A. Covered Bond Bank for the reporting date 1 January 2015:

Assets	**Notes**	**01.01.2015 (EUR million)**	**01.01.2014 (EUR million)**
Cash reserve	(17)	2.5	55.7
Loans and advances to banks	(18)	1,398.8	2,163.1
Loans and advances to customers	(19)	6,199.4	5,174.5
Risk provisions	(20)	-37.1	-45.6
Financial assets at fair value through profit or loss	(21)	1,336.5	244.4
Derivatives – fair values from hedge accounting	(22)	359.8	269.8
Financial assets	(23)	7,322.9	8,866.5
Property. plant and equipment	(24)	68.9	70.5
Intangible assets	(25)	11.2	11.4
Assets available for sale	(26)	12.2	0.0
Current income tax assets	(27)	3.8	0.3
Deferred income tax claims	(27)	7.6	9.3
Other assets	(28)	2.2	9.2
Total assets		**16,688.8**	**16,829.2**

Liabilities	**Notes**	**01.01.2015 (EUR million)**	**01.01.2014 (EUR million)**
Liabilities to banks	(29)	8,920.0	10,075.2
Liabilities to customers	(30)	3,144.4	2,788.8
Securitised liabilities	(31)	2,663.7	2,271.8
Financial liabilities at fair value through profit or loss	(32)	178.4	106.5
Derivatives – fair values from hedge accounting	(33)	916.1	741.5
Provisions	(34)	10.0	17.7
Current income tax liabilities	(35)	0.5	4.0
Deferred income tax liabilities	(35)	18.9	6.9
Other liabilities	(36)	19.4	27.6
Subordinated capital	(37)	103.0	90.7
Equity		**714.3**	**698.6**
Issued capital		205.0	205.0
Capital reserves		0.0	0.0
Revenue reserves		492.3	504.5
Revaluation reserve		17.0	-17.2
Currency translation reserve		0.0	6.3
Total equity	(39)	714.3	698.6
Equity attributable to shareholders		714.3	698.6
Equity allocated to shares without a controlling influence		0.0	0.0
Total equity and liabilities		**16,688.8**	**16,829.2**

The following Notes constitute an integral part of the opening balance.

Statement of Changes in Equity

NORD/LB Luxembourg S.A. Covered Bond Bank for the reporting date 1 January 2015:

EUR million	Issued capital	Capital reserves	Revenue reserves	Revaluation reserve	Currency translation reserve	Equity before shares without controlling influence	Shares without controlling influence	Equity
Equity on 01.01.13	**205.0**	**0.0**	**519.8**	**-54.8**	**6.8**	**676.8**	**0.0**	**676.8**
Net income for the year	0.0	0.0	15.2	0.0	0.0	**15.2**	0.0	**15.2**
Increase/decrease from AfS financial instruments	0.0	0.0	0.0	53.1	0.0	**53.1**	0.0	**53.1**
Revaluation of net liability from performance-related (defined benefit) pension plans	0.0	0.0	-0.6	0.0	0.0	**-0.6**	0.0	**-0.6**
Deferred taxes	0.0	0.0	0.2	-15.5	0.0	**-15.3**	0.0	**-15.3**
Currency translation	0.0	0.0	0.0	0.0	-0.5	**-0.5**	0.0	**-0.5**
Total profit/loss for the period	**0.0**	**0.0**	**14.7**	**37.6**	**-0.5**	**51.8**	**0.0**	**51.8**
Distribution	0.0	0.0	-30.0	0.0	0.0	**-30.0**	0.0	**-30.0**
Equity on 31.12.13	**205.0**	**0.0**	**504.5**	**-17.2**	**6.3**	**698.6**	**0.0**	**698.6**
Equity on 01.01.2014	**205.0**	**0.0**	**504.5**	**-17.2**	**6.3**	**698.6**	**0.0**	**698.6**
Net income for the year	0.0	0.0	37.6	0.0	0.0	**37.6**	0.0	**37.6**
Increase/decrease from AfS financial instruments	0.0	0.0	0.0	48.4	0.0	**48.4**	0.0	**48.4**
Revaluation of net liability from performance-related (defined benefit) 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	**-6.3**	0.0	**-6.3**
Total profit/loss for the 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**
Increase/decrease from capital receipts and payments	0.0	0.0	-3.0	0.0	0.0	**-3.0**	0.0	**-3.0**
Changes in the basis of consolidation	0.0	0.0	0.0	0.0	-6.3	**-6.3**	0.0	**-6.3**
Total equity predecessor institutions as at 31.12.2014	**205.0**	**0.0**	**508.0**	**17.0**	**0.0**	**730.1**	**0.0**	**730.1**
Effects of reconciliation	0.0	0.0	-15.7	0.0	0.0	**-15.7**	0.0	**-15.7**
Equity at NORD/LB CBB as at 01.01.2015	**205.0**	**0.0**	**492.3**	**17.0**	**0.0**	**714.3**	**0.0**	**714.3**

Contrary to Note (3), the figures presented in this table are based on those of the NORD/LB Luxembourg Group for reasons of simplification. The following Notes constitute an integral part of the opening balance.

Notes

Accounting Policies

(1) Principles for the preparation of the financial statements

The financial statements of NORD/LB Luxembourg S.A. Covered Bond Bank as at 1 January 2015 were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The standards used were those that had been published and adopted by the European Union at the time the financial statements were prepared (see Note (4) Adopted and New IFRS).

The financial statements as at 01 January 2015 take into account the national provisions of the law of 17 June 1992 on the annual accounts of credit institutions established under Luxembourg law, in the latest amended version. The financial statements as at 1 January 2015 comprise the opening balance, the statement of changes in equity and the notes. The segment reporting is included in the notes. Risk reporting in accordance with IFRS 7 is essentially carried out in the separate report on the risks and rewards of future development (risk report) as part of the management report.

Assets are measured in principle at amortised cost, apart from financial instruments under IAS 39, which are measured at fair value. These financial statements have been prepared under the going concern assumption. Income and expense are amortised on a pro rata basis. They are reported and shown in the period to which they are economically attributable. The fundamental accounting policies are described below.

The reporting and functional currency used in the financial statements is the euro. Unless stated otherwise, all amounts are shown in millions of euros (EUR million) rounded to one decimal place. The statement of percentage variances relates to unrounded figures.

For purposes of presenting the comparative figures as at 1 January 2014, the corresponding information from the consolidated financial statements of NORD/LB Luxembourg were taken as the basis for reasons of comparability.

(2) Discretionary Decisions, Estimates and Assumptions

The estimates and assessments necessary within the scope of the balance sheet preparation by management are made in accordance with the respective IFRS standard. They are regularly reviewed and are based on experience and other factors, including expectations regarding future events which appear to be reasonable under the given circumstances. If broad estimates were required, the relevant significant assumptions are stated. The estimates and judgements themselves, and the factors underlying the judgements and estimating processes, are reviewed and adjusted to the actual events as they occur. The parameters used are appropriate and tenable. Changes to estimates, if the change concerns only one period, are only taken into account in that period. Where the change concerns the current and subsequent reporting periods, it is taken into consideration in those periods too.

The essential methods are shown below:

a) Fair Value of financial instruments

If there are no active market listings for financial assets or financial liabilities, the fair value is determined using valuation methods. The parameters needed for this are based as far as possible on observed market data. If such input data is not available, then valuation methods are used which are based on volatility and market liquidity, among other factors. Changes in the assumptions relating to these parameters could have an effect on the reported fair value of financial instruments calculated using these methods.

Further information can be found in Notes (6), (7), (42) and (43).

b) Pension Payments

The expenditure from performance-related (defined benefit) plans and the cash value from pension obligations are determined with reference to actuarial calculations. These are based on various wage, salary and pension development, mortality rate and the discount rate assumptions. Due to the long term nature of the underlying assumptions and the complex calculation methods, changes made to those assumptions can have significant effects.

Further information can be found in Note (11) Provisions for pensions and similar obligations and Note (34) Provisions.

c) Taxes

Deferred tax claims are assessed for unused tax losses carried forward to the extent that it is probable that the taxable income for this purpose will be available, i.e. that it will actually also be possible to use the losses carried forward. The time of entry and the amount of the future taxable income are determined by a significant exercise of discretion.

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

(3) Merger Principles

In accordance with the joint merger plan dated 2 April 2015, which the merger is based on, it was agreed that all business activities of NORD/LB CFB would be deemed to be business activities of NORD/LB Luxembourg with effect from 1 January 2015 in terms of accounting. Against this background, the opening balance of NORD/LB CBB was compiled from the closing balances as at 31 December 2014 of the aforementioned companies involved in the merger. The merger took place with the book value of the cancelled shares in NORD/LB CFB.

All existing receivables and payables between the two merging institutions were eliminated. Any differences (for example different valuation categories or balancing of hedging relationships) were offset against the results of the merger.

Balanced hedging relationships in the merger institutions were terminated if the underlying or hedging transaction was an internal transaction between the merging institutions. Where an internal underlying transaction was to be eliminated, the remaining hedging derivative was assigned to the trading derivatives (balance sheet item: financial assets/liabilities at fair value through profit or loss). Where an internal hedging derivative was to be eliminated, the underlying transaction was taken over into the merger balance sheet at the hedge fair value at the time of the merger.

In view of the fact that NORD/LB Luxembourg had documented additional hedging relationships with external hedging derivatives in the case of several hedging relationships with an internal hedging derivative for purposes of consolidated accounting, the balancing of these hedging relationships was continued after the merger by swapping the hedging derivative.

For the purpose of the merger, the effects of the payment moratorium issued on 1 March 2015 by the Austrian Financial Market Authority ("FMA") on the non-subordinated issues from HETA Asset Resolution AG ("Heta") in NORD/LB CBB's portfolio were taken into account. This is an issue by the former Hypo Alpe Adria International AG, which got into financial difficulties, which was provided with a deficiency guarantee by the Austrian state of Carinthia. The liabilities in these debt securities were transferred to Heta by a transfer order based on the federal Austrian law on creating a liquidation entity. The latter was placed under the control of the FMA on 1 March 2015; the FMA, acting as the liquidation authority, will conduct an orderly liquidation of Heta. In this connection, a debt moratorium for all debt instruments transferred to Heta including interest was set and limited to the end of May 2016. Based on the provisional results of an asset quality review of Heta initiated by the FMA, which indicates major underfunding, an impending deterioration of the Heta bonds and a haircut with creditor participation are to be expected. What happens next depends greatly on the future decisions and measures of the FMA and the Austrian government regarding the liquidation of Heta.

Against this background, the amounts in the opening balance of NORD/LB CBB were corrected to reflect the impairment taken into account at the level of the consolidated financial statements for NORD/LB Luxembourg for the Heta bonds in the portfolio (nominal 25.0 million) to EUR 9.4 million. At the position level, the following adjustments have therefore been made:

EUR million	NORD/LB CBB 01.01.2015	Adjustment	NORD/LB CBB 01.01.2015 adjusted
Financial assets	7,324,788	-1,859	7,322,929
Income tax receivables	10,942	543	11,485
Revaluation reserve	31,636	-7,552	24,084
Deferred taxes on the revaluation reserve	4,830	2,207	7,037
Revenue reserves	461,594	-6,661	454,933

(4) Adopted and New IFRS

All IFRS, interpretations and their amendments have been applied in this opening balance where they have been recognised by the EU within the scope of its endorsement process and are pertinent to NORD/LB Luxembourg S.A. Covered Bond Bank on the reporting date of 1 January 2015.

Unless stated otherwise, the accounting policies in the opening balance are based on those of the predecessor institutions as at 31 December 2014.

When preparing the opening balance, the following standards and changes to standards to be applied for NORD/LB CBB for the first time as of 1 January 2015 were taken into account:

IFRIC 21 – Levies

In May 2013 the IASB published IFRIC 21 as an interpretation of IAS 37 on the subject of levies, which essentially regulates which government-imposed levies are subject to assessment and when there is a liability that must be reported on the balance sheet.
Since there was no legally binding legislative basis yet in Luxembourg when the balance was prepared, the Bank decided not to report a provision as at 1 January 2015.

Improvements of the IFRS (2011 - 2013 cycle) within the scope of the annual improvement process of the IASB

Within the scope of the annual improvement process, changes were made to the four standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. A clarification of existing standards is to be achieved through the adjustment of wording in individual IFRS.
There is no major impact on NORD/LB CBB from the annual improvements of the IFRS.
NORD/LB CBB will not be prematurely applying any other published standards, interpretations or changes that are not yet obligatory to apply.

(5) Currency translation

The Bank calculates its financial statements in its functional currency (balance sheet currency). The methods used for the currency translation are described below.

Translation into the functional currency

When monetary assets and liabilities or non-monetary items at fair value are denominated in foreign currencies, they must be translated at the ECB reference rate as at 31 December 2014. Non-monetary items that are valued at cost are translated at the historical rates. Expenses and income in foreign currencies are translated at market rates on value dates. Exchange rate differences relating to monetary items are generally reflected in the profit and loss account; non-monetary items are recognised through profit or loss or as not affecting profit or loss in accordance with how the profits or losses relating to such items are recorded.

Translation into the reporting currency

In the case of the foreign subsidiaries and foreign branches to be consolidated, whose functional currency is not the euro, assets and liabilities are translated using the ECB reference rates as at 01 January 2015. With the exception of revaluation reserves (at the rate on the reporting date) and the annual net profit, equity is translated on the basis of historical exchange rates. Income and expenses are translated into the Group currencies at average exchange rates for the period. Translation differences resulting from this are shown as a separate item in the equity. In the case of disposal, the translation differences accrued to that date are included in the gain or loss on disposal.

(6) Financial instruments

A financial instrument is defined as a contract that gives rise to a financial asset of one entity and a financial liability or debt instrument. The financial instruments of NORD/LB CBB are recognised in its accounts accordingly. They are classified in accordance with the requirements of IAS 39 and measured in line with that classification.

a) Recognition and derecognition of financial instruments

A financial asset or a financial liability shall be recognised on the balance sheet when the Bank becomes a party to the contractual provisions of the financial instrument. The trade date and settlement date generally diverge in the case of regular way purchases or sales of financial assets. An entity is entitled to choose whether to use trade date accounting or settlement date accounting for these regular way purchases or sales. All financial assets must be recognised on the balance sheet using settlement date accounting.

The derecognition requirements of IAS 39 depend on the concept of risks and rewards and on control, with the evaluation of the risks and rewards of ownership taking precedence over the evaluation of the transfer of control when assessing whether derecognition is appropriate.

In the event of only a partial transfer of risks and rewards and the retention of control, the continuing involvement approach is applied. The financial asset is then subject to specific accounting policies to the extent of the entity's continuing involvement. The extent of the entity's continuing involvement is determined by the extent to which the Bank continues to be exposed to changes in the value of the transferred asset.

A financial liability (or part of a financial liability) is derecognised when it is extinguished, i.e. when the obligations specified in the contract are discharged, cancelled or expired. The reacquisition of debt instruments is also covered by the derecognition of financial liabilities. At the time of repurchase, the difference between the carrying amount of the liability (including premiums and discounts) and the repurchase price is recognised through profit or loss; disposal at a later stage gives rise to a new financial liability, the acquisition cost of which corresponds to the disposal proceeds. Differences between the new acquisition cost and the redemption amount are spread over the remaining life of the debt instrument using the effective interest method.

b) Classification and measurement

Financial assets and liabilities are initially measured at fair value. For financial instruments in the loans and receivables (LaR), held-to-maturity (HtM), available-for-sale (AfS) and other liabilities (OL) categories, transaction costs are included in the acquisition cost, provided that they are directly attributable. They are accounted for in the context of spreading premiums and discounts using a constant effective rate at the nominal value or redemption amount. For financial instruments in the financial assets or financial liabilities at fair value through profit or loss (aFV) category, transaction costs are recognised immediately through profit or loss.

The subsequent measurement of financial assets and liabilities depends on their classification under IAS 39 at the time of acquisition:

- Loans and receivables (LaR)

  This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market provided they are not classified as financial assets at fair value through profit or loss (aFV) or available-for-sale (AfS). Subsequent measurement is at amortised cost. At each balance sheet date or if there are indications of a potential impairment, the value of loans and receivables (LaR) is reviewed and adjusted if necessary (see Note (7) Risk provisions). Reversal of impairment losses is reported through profit or loss. The upper limit for the reversal of impairment losses is the amortised cost that would have arisen at the time of measurement without impairment.

- Held-to-maturity (HtM)

  This category includes non-derivative financial assets with fixed or determinable payments and a fixed life that an entity intends and is able to hold to maturity. Financial instruments may be allocated to this category provided they are not classified as financial assets at fair value through profit or loss (aFV), as available-for-sale (AfS) or as loans and receivables (LaR). Subsequent measurement is at amortised cost. The held-to-maturity category is not currently used in the financial statements of NORD/LB CBB.

- Financial Assets or Financial Liabilities at Fair Value through Profit or Loss (aFV)

  This category is divided into two sub-categories:

  a) Held-for-trading (HfT)

  This sub-category comprises financial instruments (trading assets and trading liabilities) that were acquired with the intention of making profit from short term buying and selling. It includes all derivatives provided they are not hedging instruments. Trading assets are essentially composed of money market papers, bonds and debt securities, as well as derivatives with positive fair value. Trading liabilities comprise, in particular, derivatives with negative fair value as well as short sale delivery obligations. The subsequent measurement of trading assets and trading liabilities is at fair value through profit or loss. Upfront payments are amortised using the effective interest rate. At the same time, the Bank differentiates between trading book derivatives, where amortisation is not carried out using the effective interest rate, and banking book derivatives, where amortisation is carried out using the effective interest rate in the profit/loss from interest.

  b) Designated at fair value through profit or loss (dFV)

  Provided they meet certain conditions, all financial instruments may be allocated to this sub-category, known as the fair value option. Using the fair value option avoids or significantly reduces the recognition and measurement discrepancies that arise from the different measurement methods for financial assets and liabilities (e.g. by designating economic hedging relationships without having to meet the restrictive requirements of hedge accounting). Additional explanations on the nature and scope of the application of the Fair Value Option are provided in Note (21) Financial assets measured at fair value through profit or loss and Note (32) Financial liabilities measured at fair value through profit or loss. Financial instruments for which the fair value option is used are shown in the relevant balance sheet items and designated at fair value through profit or loss in the context of the subsequent valuation. Premiums and discounts are amortised using the effective interest rate.

- Available-for-sale (AfS)

This category includes all non-derivative financial assets that are not allocated to any of the above categories. This can include, in particular, bonds and debt securities as well as shares and participating interests, which are not measured in accordance with IAS 27, IAS 28 or IAS 31. Subsequent measurement is carried out at fair value; if the fair value of financial investments in equity instruments, such as certain shares or interests for which no prices listed on active markets are available (as well as derivatives on such, which can only be settled by delivery), cannot be determined in a reliable manner, then they are measured at cost of acquisition. The profit/loss from the fair value measurement is shown as not affecting profit or loss in a separate equity item (revaluation reserve). Upon the disposal of financial assets, the measured profit/loss included in the balance sheet under revaluation reserve is removed and included in the profit and loss account.

A creditworthiness-induced impairment only occurs with a permanent impairment. Checking the existence of a permanent impairment is carried out with reference to certain objective factors. Objective factors in this context are the trigger events listed in IAS 39, such as considerable financial difficulties of the issuer or debtor or breach of contract such as default or delinquency regarding the interest or redemption payments. In the case of equity capital securities, alongside other additional criteria, a significant drop in fair value below the cost of acquisition is an objective indicator of an impairment.

In the case of creditworthiness-induced impairments, the revaluation reserve is to be adjusted by the impairment amount and the amount taken into account in the profit and loss account, provided it is impairment as defined by IAS 39. Reversals of impairment losses relating to debt instruments are recognised in the revaluation reserve through profit or loss for the part of the reversal that corresponds to the impairment and beyond that, with no effect on profit or loss. Reversals of impairment losses relating to equity instruments are recognised in equity as not affecting profit or loss – unless they are measured at cost of acquisition. Differences between acquisition costs and redemption amounts are amortised using the effective interest method through profit or loss.

- Other liabilities (OL)

In particular, this category includes liabilities to banks and customers, securitised liabilities and the subordinated capital, where these liabilities have not been designated within the scope of the fair value option. Subsequent measurement is carried out at amortised cost applying the effective interest rate method.

The book values and net results per measurement category are shown in Note (41) Book values according to valuation categories.

c) Reclassification

In accordance with the provisions of IAS 39, reclassification of financial instruments from the HfT category (trading assets) into the LaR, HtM and AfS categories and from the AfS category into the LaR and HtM categories may be permitted under certain conditions. The predecessor institution NORD/LB CFB utilised the reclassification option under IAS 39.50E one time in 2008.

d) Determination of fair value

The unit of account underlying the determination of value is strictly defined by IAS 39. At NORD/LB CBB, the individual financial instrument constitutes the unit of account unless IFRS 13 provides for exceptions.

The fair value of financial instruments pursuant to IAS 39 in conjunction with IFRS 13 reflects the price at which an asset may be sold or a liability transferred within the scope of a standard transaction between market players on the valuation date, i.e. the fair value is a market-related and not a company-specific value. According to IFRS 13, the fair value is the price which is either directly observable or a price calculated using a valuation method and which would be achieved in a standard transaction, i.e. a sale or transfer on the principal market or the most advantageous market on the valuation date. The valuation on the valuation date is always based on a notional potential market transaction. If there is a principal market, the price on this market constitutes the fair value, irrespective of whether this price can be directly observed or is determined on the basis of a valuation method. This also applies if the price is potentially more advantageous in another market.

- Financial instruments which are disclosed at fair value on the balance sheet

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

The respective level is determined in accordance with the input data, which is used for the measurement, and reflects the market proximity of the parameters used in the determination of the fair value. If input data from various levels of the hierarchy is used in the measurement of the fair value, the resultant fair value of the respective financial instrument is assigned to the lowest level whose input parameters have a major influence on the measurement of the fair value.

Within the scope of the fair value hierarchy, a financial instrument is classified as Level 1 if it is traded on an active market and publicly quoted exchange prices or actual traded prices on the over-the-counter market (OTC market) are used to determine the fair value. At the same time, quotations may be used that are set by other banks or market makers if recourse is made to observable price sources other than exchanges. The transfer of Level 1 prices is done without adjustment**.** Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value as well as financial assets reported at fair value and other assets.

If no prices quoted on active markets can be drawn on, the fair value is determined using recognised measurement methods or models as well as external pricing services unless the valuation is performed there wholly or partially via spread curves (Level 2). In terms of the valuation of financial instruments, these include measurement models established on the market under normal market conditions (e.g. discounted cash flow methods or the Hull & White model for options), where the calculations are essentially based on input parameters available on the market. Impact factors which a market participant would take into account when fixing the price must be included in the measurement. Wherever possible, the corresponding parameters are taken from the market where the instrument was issued or acquired.

Measurement models are used mainly for OTC derivatives and for securities listed on inactive markets. Various input data are incorporated into the valuation models, such as market prices and other market listings, no-risk interest rate curves, risk premiums, exchange rates and volatilities. If estimates should be necessary in individual cases, using option price models if applicable, a standard market method is always used.

Level 2 valuations utilise the market data that is already used as a basis for risk controlling. All payments are discounted at the interest curve adjusted by the credit spread of the counterparty. The spreads are determined on the basis of comparable financial instruments or credit curves (for example taking into account the respective market segment and creditworthiness of the issuer).

In the case of financial instruments for which there is no active market on 01 January 2015 and which can no longer be measured on the basis of market prices, a fair value is determined for measurement purposes using a mark-to-matrix process based on discounted cash flows.

The determination of which financial instrument is to be valued in this manner is done on the basis of individual securities and a distinction between active and inactive markets based on this. A changing estimation of the market is used continually in the valuation. The identification, analysis and assessment of financial instruments on inactive markets are carried out in various areas of the Bank, thus ensuring an estimate of the inactivity that is as objective as possible. The measurement model for financial instruments in inactive markets is based on fixed term interest rates, the credit rating of the respective issuers and an appropriate interest calculation for the equity.

The ratings of the respective counterparty are also used, among other things, as parameters in the procedure. If these are taken from publicly available sources, financial instruments thus measured are assigned to Level 2. Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial instruments designated at fair value and financial assets reported at fair value.

Financial instruments for which no active market exists and for which no market prices or observable market parameters can be utilised fully for their measurement are to be assigned to Level 3. For Level 3 measurement, in contrast to and unlike the Level 2 measurement, institution-specific models are generally used and data is included which cannot be observed on the market. These instruments are either measured with reference to a comparable process of transactions with similar financial instruments observable on the market or using models customary in the business. The input parameters used in these methods include assumptions regarding payment flows, loss estimates and the discounting rate and to this extent, they are obtained in as close alignment to the market as possible.

Accordingly, financial instruments are to be assigned to Level 3 if internal ratings used by NORD/LB from the Internal Ratings Based Approach (in accordance with CRR) are used in the method. This applies irrespective of whether the internal data has been calibrated for supervisory certification with data from publicly available ratings, which form the basis for the price decisions made by market participants.

All measurement models used at the Bank are reviewed periodically. The fair values are subject to internal controls and procedures at NORD/LB. These controls and procedures are implemented or coordinated in the Finance department or in Risk Controlling. The models, data used and resulting fair values are reviewed regularly.

When determining values, all relevant factors such as the bid-ask spread, counterparty default risk, or discounting factors typical of the transaction are adequately taken into account. In the context of the bid-ask spread, a valuation is carried out strictly at the average rate or average listing. In particular, financial instruments relevant here are securities or liabilities whose fair values are based on prices quoted on active markets as well as financial instruments such as OTC derivatives, whose fair value is determined using a measurement method and for which the average listing constitutes an observable input parameter of the measurement method.

At NORD/LB CBB, the prices of securities in Level 1 and 2 are calculated using a selection method based on the fuzzy theory. Human decision-making behaviour is reproduced using mathematical logic within the scope of a price finding process in the determination of the valid price. For example, in liquid markets, the implemented logic is used to select the most valid price from a large number of price providers. In illiquid markets, this is done by selecting the most valid price which results from a combination of a few providers specialised in pricing as well as comparable security and spread engineering methods. All of the methods used are integrated into the fuzzy engine that is implemented. On the whole, the selection process is thus integrated into the system and is transparent at all times.

With respect to Level 3 measurement, which is currently not used at NORD/LB CBB, the prices are determined on a group-wide basis by means of a discounted cash flow method using default probabilities based on ratings.

In addition, the option to determine the counterparty default risk (credit value adjustment (CVA) / debt value adjustment (DVA)) on the basis of the net risk position pursuant to IFRS 13.48 was also used. The CVA/DVA is allocated to individual transactions on the balance sheet on the basis of the “Relative Credit Adjustment Approach”.

With respect to the counterparty default risk, there are no quoted prices on active markets for some types of derivatives, and thus the fair value is determined using other measurement methods. Initially a measurement is carried out regularly without considering the credit default risk, which is only taken into account subsequently. Both the credit default risk of the counterparty (CVA) and the Bank's own credit default risk (DVA) are taken into account in the fair value measurement. For the measurement of hedged OTC derivatives, the Bank has essentially switched to the current market standard:

For the measurement of hedged OTC derivatives, the Bank has essentially switched to the current market standard: overnight index swap discounting (OIS discounting). Discounting in terms of the fair value measurement of unhedged derivatives continues to be carried out using LIBOR discounting.

- Financial instruments reported at fair value for disclosure purposes

In principle, the same provisions for determining fair value apply to financial instruments for which a fair value is only determined for disclosure purposes as for financial instruments whose fair value is reported on the balance sheet. These financial instruments include, for example, cash reserves, loans and advances to banks and customers and liabilities owed to banks and customers, certain debt securities and company shares as well as securitised liabilities and subordinate capital.

The nominal value is taken as the fair value for the cash reserve and for short-term loans and advances and liabilities to banks and customers (sight deposits) due to their short-term nature.

For securities and liabilities, various forms of measurement are used which are the same as for financial instruments shown at fair value on the balance sheet (e.g. market or comparable prices or measurement models), but a measurement method is generally used (discounted cash flow model). A risk-free interest rate structure curve is often used to determine the value in this measurement model, which is adjusted by risk premiums and other components if appropriate. For liabilities, NORD/LB's own credit default risk is used as the risk premium. A corresponding level assignment in the existing fair value hierarchy is undertaken depending on the significance of the input data.

No observable market prices are available for long-term loans and advances and liabilities owed to banks and customers and for deposits, since neither observable primary or secondary markets exist. The determination of the fair value for these financial instruments is performed with the aid of recognised measurement methods (discounted cash flow model). Input data for this model is the risk-free 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 (42) Fair value hierarchy and (43) Fair value of financial instruments.

e) Structured products

Structured products are made up of two components – one or more embedded derivative financial instruments (embedded derivatives e.g. swaps, futures, caps) and a host contract (e.g. financial instruments, leasing agreements). Both components are the object of a single contract for the structured product, i.e. these products form a legal entity and cannot be treated separately because of the single contract.

IAS 39 requires an embedded derivative to be separated from its host contract and accounted for as a derivative when the following criteria are cumulatively met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- A separate derivative with the same terms as the embedded derivative would meet the definition of a derivative.
- The structured product is not recognised at fair value through profit or loss (aFV category).
- At present, there are no structured financial instruments that must be separately accounted for.

f) Hedge accounting

Hedge accounting means showing hedging relationships in the financial statements. This involves documenting the relationships between the hedging transactions and the underlying transactions. The objective is to avoid or reduce the fluctuations in annual profit/loss and equity that arise from the different measurement of hedging transactions and underlying transactions.

Under IAS 39, there are three basic types of hedges which must be treated differently in hedge accounting. In fair value hedge accounting (portions of) assets and/or liabilities are hedged against changes in fair value. The Bank's issuing and lending business, and holdings for liquidity management purposes, provided they consist of interest-bearing securities, are particularly subject to such a market value risk. Fair value hedges are used for individual transactions. Interest rate and currency swaps are predominantly used to hedge these risks.

The two other basic forms, cash flow hedge accounting and hedge of a net investment in a foreign operation, are not currently used.

Hedging relationships may only be reported in accordance with the rules of hedge accounting if the restrictive conditions laid down by IAS 39 are fulfilled. The requirements of hedge accounting, particularly proving hedge effectiveness, must be met on all balance sheet dates and for all hedging relationships. The Critical Term Matching method is used for the prospective performance of effectiveness tests. For retrospective effectiveness tests, a modified Dollar Offset method is used, which takes into account the problem arising with small figures in the case of slight changes in value of hedging transactions and underlying transactions through an additional tolerance limit.

In accordance with the rules and requirements of fair value hedge accounting, derivatives at fair value used in hedging are reported as positive or negative fair values from hedge accounting (Note (22) Fair values from hedge accounting and Note (33) Fair values from hedge accounting . The changes in valuation are shown through profit or loss. With regard to the hedged asset or hedged liability, the changes in fair value attributable to the hedged risk are also stated in the recognition of profit or loss under the “Profit/Loss from Hedge Accounting” item.

If financial instruments in the AfS category form part of a hedging relationship, the change in fair value is divided into a hedged component and an unhedged component. When hedge accounting is used, the portion of the change in value that relates to hedged risks is recognised through profit or loss under profit/loss from hedge accounting, while the portion that is not attributable to the hedged risk is reported under the revaluation reserve.

Within the scope of micro hedge accounting, the financial instrument valued at amortised cost are adjusted in the balance sheet on both the assets and liabilities sides by the change in fair value caused by the hedged risk (hedge adjustment).

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

g) Securities repurchase agreements and securities lending

In the case of genuine securities repurchase agreements (repos), transferring the securities sold under repurchase agreements does not lead to derecognition, as the transferring entity essentially retains all the risks and rewards associated with the ownership of the repurchased securities. Therefore, the transferred asset should still be recognised by the repurchase seller and measured in accordance with the relevant category. The payment received is to be shown as a financial liability (either under liabilities owed to banks or liabilities owed to customers, depending on the counterparty). The agreed-on interest payments are recognised as interest expenses in accordance with the term.

Reverse repos are correspondingly accounted for as loans and advances to banks or customers and included in the loans and receivables (LaR) category. The securities bought under repurchase agreements on which the financial transaction is based are not shown in the balance sheet. The interest arising from of this transaction is recognised as interest income in accordance with the term.

There were no non-genuine securities repurchase agreements outstanding as at 01 January 2015.

The principles of accounting for genuine repurchase agreements are similar to those for securities lending. Loaned securities are included in the securities portfolio and measured in accordance with IAS 39, whereas borrowed securities are not shown on the balance sheet. Cash collateral provided for securities lending transactions is included under loans and advances and cash collateral received is shown as a liability.

With regard to the scope and volume of repurchase transactions, reference is made to Note (49) Offsetting Financial Assets and Liabilities.

(7) Risk provisions

The risks arising from the balance sheet lending business are accommodated through the formation of loan loss provisions and portfolio loss provisions.

Checking of intrinsic value is done for all significant receivables at individual business level. Risk provision in the lending business covers all discernible credit rating risks by creating individual loan loss provisions. A value adjustment is required when it is probable, based on observable criteria, that not all interest and repayment obligations or other obligations can be met in good time. Such criteria include 90 days or more of default or delay in interest payments or repayment of the principal amount and the debtor having serious financial difficulties. The size of the value adjustment is calculated on the basis of the difference between the book value and the cash value of the expected future cash flow.

The stage prior to risk provision is forborne exposures (Note (46) Forbearance Exposure, based on liabilities from borrowers, which are no longer capable of meeting the contractual terms and conditions due to financial difficulties or run the risk of not being able to meet the terms and conditions in the future. In order to prevent default or impairment, the Bank has decided to modify the conditions of these commitments in favour of the borrower by implementing the following measures (“forbearance measures”):

- Modification of the contractual terms and conditions
- Refinancing or restructuring
- Approval of a contractually granted option
- Lending institution’s waiver of the exercise of contractually given rights

For risks that have occurred but have not yet been identified by the institutions, loss provisions are made at portfolio level for groups of financial assets with comparable credit risks. This credit rating-related portfolio-based provision is made on the basis of historical default probabilities and regulatory loss given defaults. In addition, the portfolio-specific LIP (loss identification period) factor is applied in order to ensure that only incurred losses are taken into consideration. The parameters used are derived from the CRR system. In addition, the Bank adjusts the measurement parameters to the parameters observed on the market in the case of problematic portfolios and bases these scenarios on a probability of occurrence. The Bank adjusted the parameters to market conditions accordingly during the year under report.

The risks for off-balance sheet transactions (guarantees, endorsement liabilities, loan commitments) are accommodated by creating a provision for risks in the lending business.

Irrecoverable debts for which there was no specific loss provision are written off directly. Additions to debts written off are recognised through profit or loss.

A risk provision is not made for losses that have not yet been incurred.

(8) Property, plant and equipment

Property, plant and equipment are recognised at cost at the recognition date. With regard to subsequent measurement, the depreciable amount of property, plant and equipment is allocated on a scheduled straight line basis over its useful life. Impairments are carried out to the extent in which the carrying amount exceeds the higher value of an asset's fair value less costs to sell and its value in use. Scheduled depreciation and impairments are recognised in administrative expenses.

Property, plant and equipment are depreciated over the following periods of time:

	Useful life in years
Buildings	50
Operating and office equipment	3 - 15
Other property, plant and equipment	3 - 15

The acquisition costs of assets of minor value are immediately recognised as an expense on the basis of materiality.

(9) Leasing transactions

In accordance with IAS 17, leasing agreements must be classified as either finance leases or operating leases at their inception. A lease is classified as a finance lease if it substantially transfers the risks and rewards associated with ownership to the lessee; the leased property is accounted for by the lessee. A lease is classified as an operating lease if it does not substantially transfer the risks and rewards associated with ownership to the lessee; the leased property is accounted for by the lessor.

Finance leases

Two agreements concluded by the Bank (IT hardware) are classified as finance leases. With respect to the scope of leased items, taking into account IAS 8.8, the Bank has refrained from reporting it on the balance sheet for materiality reasons.

Operating leases

With an operating lease, the lessee recognises the lease payments made as an expense under other administrative expenses. The initial direct costs (for example expert fees) are recognised immediately as affecting profit or loss. Contracts as operating lessees are within normal business frameworks.

(10) Intangible assets

Intangible assets purchased by NORD/LB CBB are recognised at cost of acquisition, as are self-created (proprietary) intangible assets, provided they meet the recognition criteria set out under IAS 38.

For intangible assets with limited useful life, scheduled linear depreciations are taken into account according to the economic useful life. In the case of intangible assets with limited useful life, valuation adjustments are made in the amount at which the book value exceeds the higher value of fair value, less sales costs and useful value of the asset. If the reasons for impairments no longer apply, impairment losses are reversed, but may not exceed the depreciated cost. Scheduled depreciation is recognised in administrative expenses.

Intangible assets with limited useful life are depreciated over a period of three to fifteen years.

There are no intangible assets with an indefinite useful life at NORD/LB CBB.

(11) Provisions for pensions and similar obligations

The Group's company pension scheme is based on various pension schemes. On the one hand, employees acquire an entitlement to pension rights through a fixed contribution by the relevant institution to an external pension provider (defined contribution plan). These contributions to the pension scheme are recorded as a current expense under application of the accounting requirements set out under IAS 19 for contributory plans, so that no pension provisions have to be formed.

On the other hand, the occupational pension scheme of NORD/LB CBB is based on both a pension system in which staff acquire an entitlement to pension rights in which the pension benefit is fixed and on factors such as expected wage and salary increases, age, length of service and pension trend forecasts (Defined Benefit Plan). The accounting requirements set out under IAS 19 for defined benefit plans are applied to this pension scheme.

The components of pension provisions through profit or loss are the service cost and the interest cost on the cash value of the liability. The pension expenses are reduced by the anticipated net income from the plan assets. Where necessary, a service cost must also be recognised through profit or loss retrospectively. Interest cost and anticipated income from the plan assets are shown under net interest income.

The Bank recognises actuarial gains and losses in full as not affecting profit or loss in equity, so that there is no decrease or increase in pension expenses as a result of the amortisation of posted actuarial gains or losses that are not yet recorded through profit or loss.

Pension obligations arising from defined benefit plans are calculated on the balance sheet date by independent actuaries using the projected unit credit method. The calculation also takes account of biometric assumptions relating to the discount rate for high quality corporate bonds and anticipated future wage and pension growth rates.

The pension scheme is outsourced to a Luxembourg insurance company.

(12) Other provisions

In accordance with IAS 37, other provisions are made for contingent liabilities to third parties and anticipated losses from pending transactions if an obligation is probable and its size can be reliably estimated. The amount recognised as a provision should be the best estimate. This estimate is based on the management's assessment, on experience and, where necessary, on expert opinions or reports. Risks and uncertainties are taken into consideration in the process. Future events that may influence the amount required to settle an obligation are taken into account if there are objective signs that they will occur. Provisions are discounted provided that the effect is material.

If an obligation is not probable or if its amount cannot be estimated reliably, a contingent liability is shown in the Notes.

(13) Income tax assets and liabilities

Current income tax assets and liabilities were calculated with reference to the applicable tax rates, to the amounts in which the Bank expects having to make payments to or recover payments from the relevant tax authority.

Deferred tax assets and liabilities are calculated on the basis of the difference between the carrying amount of an asset or liability on the balance sheet and the corresponding tax amount. Due to the temporary differences, deferred tax assets and liabilities will probably lead to income tax burdens or tax relief effects in future periods. They were measured at the tax rates applicable for the period in which an asset is realised or a liability is settled.

Current income tax assets and liabilities and deferred tax assets and liabilities are offset if the conditions for offsetting are met. Discounting is not permitted. Depending on how the circumstances are treated, deferred tax assets or liabilities are recognised either through profit or loss or as not affecting profit or loss.

The income tax expense or benefit is shown under income tax in the profit and loss account. The breakdown into current and deferred income tax assets and liabilities for the year under report can be found in the Notes. Current and deferred income tax assets and liabilities are presented on the balance sheet under assets or liabilities, with the carrying amount of a deferred tax asset being reviewed at each balance sheet date.

A Grand Ducal regulation on the taxation of IFRS financial statements that is relevant to NORD/LB CBB and the predecessor institutions was published as a draft bill. This provides for the measurement differences arising from financial instruments shown in the profit and loss account to be included in the tax basis. In addition, this regulation guarantees that taxpayers will have the right to choose whether they pay taxes on earnings from first-time adoption in the first year of IFRS accounting or spread these items over two to five years.

NORD/LB Luxembourg obtained binding information from the Luxembourg tax authorities on tax questions relating to the IFRS balance sheet preparation and first time adoption and applies the previously described tax measures. In the process, the income from the initial application was not spread pro rata but taken into account integrally for taxation in the 2008 reporting year.

In a letter dated 2 August 2007, the Luxembourg financial authorities approved the establishment of a tax group with effect for corporation and trade tax comprising Norddeutschen Landesbank Luxembourg S.A. and NORD/LB CFB starting from financial year 2007. Pursuant to Article 164 bis L.I.R., the tax group was allowed under the condition that it is maintained for a time span of at least five financial years. The time span of five years ended on 31 December 2012, so that the conditions pursuant to Article 164bis of L.I.R. were fulfilled.

In this regard, NORD/LB Luxembourg S.A. functioned as the parent company.

(14) Subordinated capital

The subordinated capital item comprises unsecuritised subordinated liabilities.

Subordinated capital is accounted for at amortised cost. Premiums and discounts are spread over the life and using the effective interest method entered under net interest income in recognition of profit or loss. Accrued interest not yet due is included under the appropriate item as part of the subordinated capital.

Subordinated liabilities are set out in detail in Note (37) Subordinated capital.

Segment Reporting

Classification by business segment

Segment reporting is carried out in accordance with IFRS 8. It is designed to provide information about the business segments; it is undertaken in compliance with the Bank's business model and on the basis of the internal reporting system. The segments are defined as customer or product groups that are aligned with the Bank's organisational structures.

Affiliated Savings Banks

The allied business has now been assigned to the Financial Markets division as part of the restructuring of the Bank.

Client Services / B2B

NORD/LB Luxembourg hived off the Private Banking business segment at the end of 2014. The account keeping and custodian function as well as the lending business with private banking clients will remain at the Bank, as will the associated income, and will be allocated to the Client Services / B2B business segment. Some of the expenses deriving from the former Private Banking business segment are shown in the administrative expenses. These arise from accounting for costs and services for service areas which are not allocated to the profit/loss from discontinued operations.

Financial Markets & Sales

Following the restructuring which took effect on 1 January 2015, the Financial Markets & Sales business segment covers almost the entire direct business (with the exception of Bank Controlling / Other).

The departments that are tasked with bank controlling (liquidity supply, interest rate and currency management) are included here along with sales activities, where the European sales capacities of the NORD/LB Group are pooled. Furthermore, the direct lending business with savings banks and the other direct lending business are assigned to this segment.

Lending

This segment primarily includes the lending business conducted in close cooperation with the other units of the Group and the associated contributions to profit/loss.

Bank Controlling / Other

This segment covers other items and reconciliatory items (e.g. equity).

Segmentation by region

Segmentation by geographical characteristics focuses on the counterparty's home country. Expenses and income are determined in relation to the segment's assets and liabilities.

(15) Segmentation of NORD/LB Luxembourg S.A. Covered Bond Bank by business segments

	Segments							
EUR million	**Financial Markets & Sales**	**Group cooperation**	**Client Services / B2B**	**Bank Controlling / Other**	**Affiliated Savings Banks**	**Total from continued business segments**	**Total from discontinued business segments**	**Total**
Segment assets	**10,585.1**	**5,839.2**	**158.2**	**106.3**	**0.0**	**16,688.8**	**0.0**	**16,688.8**
ditto previous year	*15,826.2*	*4,943.8*	*149.8*	*-4,223.1*	*132.5*	***16,829.2***	*0.0*	***16,829.2***
Segment liabilities (incl. equity)	**14,723.3**	**945.3**	**155.2**	**865.0**	**0.0**	**16,688.8**	**0.0**	**16,688.8**
ditto previous year	*19,034.6*	*1,319.1*	*154.9*	*-3,679.4*	*0.0*	***16,829.2***	*0.0*	***16,829.2***
Risk assets	**2,224.7**	**2,272.8**	**58.1**	**106.8**	**0.0**	**4,662.3**	**0.0**	**4,662.3**
ditto previous year (annual average values)	*2,039.3*	*1,720.1*	*187.5*	*309.1*	*154.2*	***4,410.2***	*0.0*	***4,410.2***
Equity commitment	**178.0**	**181.8**	**4.6**	**8.5**	**0.0**	**373.0**	**0.0**	**373.0**
ditto previous year (on the basis of annual average values)	*163.1*	*137.6*	*15.0*	*24.7*	*12.3*	***352.8***	*0.0*	***352.8***

Additional segment information **EUR million**								
Property, plant and equipment, net	**24.0**	**5.8**	**11.8**	**27.1**	**0.3**	**68.9**	**0.0**	**68.9**
ditto previous year	*24.5*	*5.9*	*12.0*	*27.7*	*0.3*	***70.5***	*0.0*	***70.5***
Intangible assets, net	**3.9**	**0.9**	**1.9**	**4.4**	**0.0**	**11.2**	**0.0**	**11.2**
ditto previous year	*4.0*	*1.0*	*2.0*	*4.5*	*0.0*	***11.4***	*0.0*	***11.4***

(16) Segmentation of NORD/LB Luxembourg S.A. Covered Bond Bank by geographical characteristics

Segments											
EUR million	**Germany**	**Luxem-bourg**	**Switzer-land**	**Rest of Europe**	**USA**	**Rest of America**	**Other Countries**	**Total from continued business segments**	**Total from discon-tinued business segments**	**Recon-ciliation**	**Total**
Segment assets	**7,312.7**	**499.2**	**116.3**	**5,323.9**	**1,990.1**	**748.4**	**698.3**	**16,688.8**	**0.0**	**0.0**	**16,688.8**
ditto previous year	*7,374.7*	*5,896.3*	*99.1*	*5,273.2*	*1,788.2*	*488.4*	*479.3*	***21,399.2***	*0.0*	*-4,570.0*	***16,829.2***
Segment liabilities (incl. equity)	**9,365.9**	**5,549.0**	**947.6**	**749.6**	**32.9**	**30.2**	**13.7**	**16,688.8**	**0.0**	**0.0**	**16,688.8**
ditto previous year	*7,007.3*	*11,526.5*	*528.5*	*1,929.1*	*18.3*	*8.9*	*380.6*	***21,399.2***	*0.0*	*-4,570.0*	***16,829.2***
Risk assets	**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**
ditto previous year (annual average values)	*1,664.4*	*1,299.9*	*22.8*	*1,092.2*	*320.8*	*83.8*	*96.8*	***4,580.7***	*0.0*	*-170.5*	***4,410.2***
Equity commitment	**163.4**	**11.2**	**2.6**	**119.0**	**44.5**	**16.7**	**15.6**	**373.0**	**0.0**	**0.0**	**373.0**
ditto previous year (based on annual average values)	*133.1*	*104.0*	*1.8*	*87.4*	*25.7*	*6.7*	*7.7*	***366.4***	*0.0*	*-13.6*	***352.8***

Additional segment information **EUR million**											
Property, plant and equipment, net	**0.0**	**68.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**68.9**	**0.0**	**0.0**	**68.9**
ditto previous year	*0.0*	*70.5*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	***70.5***	*0.0*	*0.0*	***70.5***
Intangible assets, net	**0.0**	**11.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**11.2**	**0.0**	**0.0**	**11.2**
ditto previous year	*0.0*	*11.4*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	***11.4***	*0.0*	*0.0*	***11.4***

Notes to the Opening Balance

(17) Cash reserve

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Cash	1.7	1.9	-13
Balances at the central bank	0.8	53.8	-99
Total	**2.5**	**55.7**	**-96**

The balance at the central bank, at EUR 0.8 million (previous year EUR 53.8 million), is attributable to balances at the Luxembourg central bank and almost exclusively relate to the minimum reserve credit balance.

(18) Loans and advances to banks

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Receivables from money market transactions	**1,044.9**	**1,731.1**	**-40**
Luxembourg banks	115.0	141.9	-19
Foreign banks	929.9	1,589.2	-41
Other receivables	**353.9**	**432.1**	**-18**
Luxembourg banks	1.8	3.7	-52
due on demand	1.8	3.7	-52
deferred	0.0	0.0	> 100
Foreign banks	352.1	428.4	-18
due on demand	38.9	63.6	-39
deferred	313.2	364.7	-14
Total	**1,398.8**	**2,163.1**	**-35**

Of the total amount, EUR 1,282.0 million (previous year EUR 2,017.5 million) relate to loans and advances to foreign banks. A partial amount of EUR 269.5 million (previous year EUR 303.5 million) of the loans and advances to banks only becomes due after more than twelve months.

(19) Loans and advances to customers

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Receivables from money market transactions	**9.1**	**5.8**	**57**
Luxembourg customers	0.0	0.0	-
Foreign customers	9.1	5.8	57
Other receivables	**6,190.3**	**5,168.7**	**20**
Luxembourg customers	209.0	189.7	10
due on demand	109.3	119.9	-9
deferred	99.7	69.8	43
Foreign customers	5,981.3	4,979.0	20
due on demand	3.3	45.1	-93
deferred	5,978.0	4,933.9	21
Total	**6,199.4**	**5,174.5**	**20**

Of the total amount, EUR 5,990.4 million (previous year EUR 4,984.8 million) relate to loans and advances to foreign customers. Of the receivables due from customers, EUR 4,157.2 million (previous year EUR 3,430.2 million) is only due after more than twelve months.

(20) Risk provisions

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Individual value adjustments for receivables	**-34.2**	**-40.6**	**-16**
Foreign banks	0.0	0.0	-
Luxembourg customers	0.0	0.0	-
Foreign customers	-34.2	-40.6	-16
Portfolio-based provisions for receivables	**-2.9**	**-5.0**	**-42**
Total	**-37.1**	**-45.6**	**-19**

On the assets side, risk provisions and provisions in the lending business have changed as follows:

EUR million	Specific value adjustments	Portfolio-based provisions	Provisions in lending business	Total
01.01.2013	**30.9**	**5.7**	**3.8**	**40.5**
Allocations	11.2	0.0	6.7	17.9
Reductions	-0.5	-0.7	-0.9	-2.2
Utilisation	0.0	0.0	0.0	0.0
Effects from currency translation, unwinding and other changes	-0.9	0.0	0.0	-0.9
Transfers	0.0	0.0	0.0	0.0
31.12.2013	**40.6**	**5.0**	**9.6**	**55.3**
Allocations	7.2	0.0	0.0	7.2
Reductions	-5.4	-2.1	-8.8	-16.4
Utilisation	-7.9	0.0	0.0	-7.9
Effects from currency translation, unwinding and other changes	-0.2	0.0	0.2	0.0
Transfers	0.0	0.0	0.0	0.0
31.12.2014 Total predecessor institutions	**34.2**	**2.9**	**1.0**	**38.2**
Effects of reconciliation	**0.0**	**0.0**	**0.0**	**0.0**
01.01.2015 Total NORD/LB CBB	**34.2**	**2.9**	**1.0**	**38.2**

Contrary to Note (3), the figures presented in this table are based on those of the NORD/LB Luxembourg Group for reasons of simplification.

The volume of loans in default on the reporting date amounts to EUR 20.2 million (previous year EUR 12.1 million). Of this amount, EUR 20.1 million is attributable to loan redemptions and EUR 0.1 million to outstanding interest payments. This relates to six commitments, of which two have been subject to individual value adjustment at the predecessor institutions and have been in default since 2011 and 2013 respectively, as well as four other commitments which have been in default since 2013 and 2014 respectively.

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

This item contains trading assets (HfT) and financial assets designated at fair value (dFV). Trading activities comprise trading in debt securities and other fixed interest securities, shares and other variable yield securities, and derivatives that are not used in hedge accounting.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Trading assets	**302.4**	**244.4**	**24**
Debt securities and other fixed interest securities	137.5	139.2	-1
Money market securities	0.0	0.0	-
from public issuers	0.0	0.0	-
from other issuers	0.0	0.0	-
Bonds and debt securities	137.5	139.2	-1
from public issuers	0.0	0.0	-
from other issuers	137.5	139.2	-1
Shares and other variable yield securities	0.0	0.0	-
Shares	0.0	0.0	-
Investment shares	0.0	0.0	-
Positive fair values from derivatives in connection with:	164.9	105.2	57
Interest rate risks	62.5	53.0	18
Currency risks	102.4	52.3	96
Share and other price risks	0.0	0.0	-
Trading portfolio claims	0.0	0.0	-
Financial assets designated at fair value	**1,034.1**	**0.0**	**> 100**
Loans and advances to banks and customers	0.0	0.0	-
Debt securities and other fixed interest securities	1,034.1	0.0	**> 100**
Shares and other variable yield securities	0.0	0.0	-
Total	**1,336.5**	**244.4**	**> 100**

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

Of the total amount, EUR 1,199.2 million (previous year EUR 213.1 million) is only due in more than twelve months.

(22) Fair values from hedge accounting

This item comprises positive fair values from hedging instruments in effective micro and portfolio fair value hedging relationships. NORD/LB CBB utilises micro fair value hedge accounting to hedge interest rate and currency risks.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Positive fair values from allocated micro fair value hedge derivatives	359.8	269.8	33
Fair values from derivatives in portfolio fair value hedge accounting	0.0	0.0	-
Total	**359.8**	**269.8**	**33**

Hedge derivatives with a fair value of EUR 326.5 million will become due at the earliest after twelve months (previous year EUR 268.0 million).

(23) Financial assets

The “financial assets” balance sheet item essentially includes all debt securities and other fixed-interest securities and shares and other variable-yield securities that are classified as Available for Sale (AfS) and are not held for trading.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Financial assets in the LaR category	**2,962.1**	**2,765.3**	**7**
Bonds and debt securities	2,983.3	2,791.6	7
from public issuers	1,744.7	1,615.4	8
from other issuers	1,238.6	1,176.3	5
Value adjustments on LaR financial assets	-21.2	-26.3	-19
Financial assets classified as AfS	**4,360.8**	**6,101.1**	**-29**
Debt securities and other fixed interest securities	4,360.8	6,065.2	-28
Money market securities	0.0	50.0	-100
from public issuers	0.0	0.0	-
from other issuers	0.0	50.0	-100
Bonds and debt securities	4,360.8	6,015.2	-28
from public issuers	1,403.1	1,990.1	-29
from other issuers	2,957.7	4,025.0	-27
Shares and other variable yield securities	0.1	36.0	-100
Shares	0.0	35.9	-100
Investment shares	0.0	0.0	-
Profit participation certificates	0.1	0.1	-43
Shares in companies	0.0	0.0	> 100
Total	**7,322.9**	**8,866.5**	**-17**

The volume of financial assets issued by the central governments of certain euro states (Portugal, Italy, Ireland, Greece and Spain) amounts to a nominal EUR 111.1 million (previous year EUR 110.5 million.). This concerns three debt securities from the Republic of Italy with terms to 2018 and 2033 respectively and a debtor warrant from the Republic of Greece with a term until 2043. The book value of this financial asset on the reporting date is KEUR 54 (previous year KEUR 94).

Of the financial assets, EUR 5,981.2 million (previous year EUR 7,465.8 million) will only become due after more than twelve months.

The predecessor institution, NORD/LB CFB utilised the options under IAS 39.50E and reclassified 19 AfS securities (bonds and debt securities) as LaR in 2008. At the same time, bonds and debt securities that were clearly not intended to be sold or traded in the short-term on the reclassification date, but were rather intended to be kept in the inventory for the foreseeable future instead, were re-categorised. In accordance with the amended IAS 39, the re-categorisation took place with effect from 1 July 2008 or the purchase date in the third quarter of 2008 at the fair value determined on the respective effective date. The book value on the reclassification day was reduced pro rata by relevant maturities. The book value also fluctuated due to changes in the hedge fair values. Between 2009 and 2014, no further re-categorisations were undertaken in the predecessor institutions.

In conjunction with the re-categorisation, the balance sheet presentation was also changed (reclassification). The table below shows the book values and the fair values of the reclassified assets in the predecessor institution NORD/LB CFB:

in (EUR million)	31.12.2014			31.12.2013			31.12.2012		
	Book value on transfer date	Book value	Fair value	Book value on transfer date	Book value	Fair value	Book value on transfer date	Book value	Fair value
Reclassified financial assets	645.6	629.7	595.8	645.6	580.6	508.9	645.6	644.5	510.3

in (EUR million)	31.12.2011			31.12.2010			31.12.2009		
	Book value on transfer date	Book value	Fair value	Book value on transfer date	Book value	Fair value	Book value on transfer date	Book value	Fair value
Reclassified financial assets	645.6	698.4	569.7	645.6	660.3	627.9	645.6	731.4	712.1

in (EUR million)	31.12.2008			01.07.2008		
	Book value on transfer date	Book value	Fair value	Book value on transfer date	Book value	Fair value
Reclassified financial assets	645.6	746.7	719.5	544.4	544.4	544.4

The reclassification was based on the book value with anticipated achievable future cash flows of EUR 1,038.5 million. The results not affecting profit/loss recorded in the equity from the reclassified securities amounted to EUR -13.2 million at the time of the reclassification. The pro rata reduction of this item is in accordance with IAS 39.54 in relation to net interest income. The effective interest rates for each security was determined for this purpose. These are in a range between 2.53% - 6.46%.

The following contributions to profit/loss were ceased at NORD/LB CBB at the expense of the interest profit/loss:

In KEUR	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised profit/loss before taxes at time of reclassification								-13,194
Pro rata reductions in accordance with IAS 39.54	327	388	433	610	703	676	316	

Without reclassification, the following additional effects in equity would have occurred (cumulative as at the reporting date in each case):

EUR million	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008	01.07.2008
Unrealised profit/loss before taxes	-36.1	-71.9	-135.2	-128.7	-32.4	-19.3	-27.1	-13.2
Deferred taxes	10.5	21.0	39.5	37.1	9.3	5.5	8.0	3.9
Net effect in equity from reclassified financial assets available for sale	**-25.6**	**-50.9**	**-95.7**	**-91.6**	**-23.1**	**-13.8**	**-19.1**	**-9.3**

The shares in affiliated companies include the value of the participation in Galimondo S.à r.l. as at the reporting date. The following table shows the equity before the revaluation reserve and the profit/loss for the short financial year 2014 of the participation valued at amortised costs.

Name/registered office	Equity share	Investment book value (EUR million)	Equity before revaluation reserve (EUR million)	Profit/loss (EUR million)
Galimondo S.à r.l., Luxembourg	100 %	13	30	18
Total		**13**	**30**	**18**

The equity before revaluation reserve of the participation is at or above the book value of the participation.

(24) Property, plant and equipment

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Land and buildings	63.9	64.5	-1
Operating and office equipment	5.1	6.0	-16
Investments under construction	0.0	0.0	-
Other property, plant and equipment	0.0	0.0	-
Total	**68.9**	**70.5**	**-2**

The acquisition and manufacturing costs and the cumulative depreciation for property, plant and equipment and investment properties changed as follows:

EUR million	Land and buildings	Operating and office equipment	Investments under construction	Other property, plant and equipment	Total
Acquisition and manufacturing costs at 01.01.13	**66.5**	**13.4**	**0.0**	**0.0**	**79.9**
Accruals	0.1	0.3	0.0	0.0	0.4
Disposals	0.0	-3.5	0.0	0.0	-3.5
Transfers	0.0	0.0	0.0	0.0	0.0
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2013	**66.6**	**10.2**	**0.0**	**0.0**	**76.7**
Cumulative depreciation at 01.01.13	**-1.5**	**-6.3**	**0.0**	**0.0**	**-7.8**
Scheduled depreciation	-0.6	-1.4	0.0	0.0	-2.0
Impairments (unscheduled write-downs)	0.0	0.0	0.0	0.0	0.0
Transfers	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	3.5	0.0	0.0	3.5
Changes from currency translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2013	**-2.1**	**-4.2**	**0.0**	**0.0**	**-6.2**
Closing balance at 31.12.2013	**64.5**	**6.0**	**0.0**	**0.0**	**70.5**
Acquisition and manufacturing costs at 01.01.2014	**66.6**	**10.2**	**0.0**	**0.0**	**76.7**
Accruals	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 translations	0.0	0.0	0.0	0.0	0.0
Total 31.12.2014	**66.6**	**10.6**	**0.0**	**0.0**	**77.2**
Cumulative depreciation 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 write-downs)	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 translations	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 predecessor institution as at 31.12.2014	**63.9**	**5.1**	**0.0**	**0.0**	**68.9**
Effects of reconciliation	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Closing balance NORD/LB CBB as at 01.01.2015	**63.9**	**5.1**	**0.0**	**0.0**	**68.9**

Contrary to Note (3), the figures presented in this table are based on those of the NORD/LB Luxembourg Group for reasons of simplification.

(25) Intangible assets

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Software	**11.2**	**10.0**	**12**
Acquired for consideration	11.2	10.0	12
Proprietary	0.0	0.0	-
Intangible assets under development	**0.0**	**1.4**	**-100**
Other	**0.0**	**0.0**	**-**
Total	**11.2**	**11.4**	**-2**

Intangible assets developed as follows:

EUR million	Software		Intangible assets under development	Other	Total
	Acquired for consideration	Proprietary			
Acquisition and manufacturing costs at 01.01.13	**29.6**	**0.0**	**12.0**	**0.0**	**41.6**
Accruals	0.1	0.0	1.0	0.0	**1.2**
Disposals	-5.9	0.0	-10.0	0.0	**-15.9**
Transfers	1.5	0.0	-1.5	0.0	**0.0**
Total 31.12.2013	**25.4**	**0.0**	**1.4**	**0.0**	**26.8**
Cumulative depreciation at 01.01.2013	**-19.9**	**0.0**	**-10.0**	**0.0**	**-30.0**
Scheduled depreciation	-1.3	0.0	0.0	0.0	**-1.3**
Impairments (unscheduled write-downs)	0.0	0.0	0.0	0.0	**0.0**
Disposals	5.9	0.0	10.0	0.0	**15.9**
Total 31.12.2013	**-15.4**	**0.0**	**0.0**	**0.0**	**-15.4**
Closing balance at 31.12.2013	**10.0**	**0.0**	**1.4**	**0.0**	**11.4**
Acquisition and manufacturing costs at 01.01.2014	**25.4**	**0.0**	**1.4**	**0.0**	**26.8**
Accruals	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**
Cumulative depreciation at 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 write-downs)	-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 predecessor institution as at 31.12.2014	**11.2**	**0.0**	**0.0**	**0.0**	**11.2**
Effects of reconciliation	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Closing balance NORD/LB CBB as at 01.01.2015	**11.2**	**0.0**	**0.0**	**0.0**	**11.2**

Contrary to Note (3), the figures presented in this table are based on those of the NORD/LB Luxembourg Group for reasons of simplification.

(26) Assets available for sale

The “assets available for sale” item according to IFRS 5 with a total book value of EUR 12.2 million (previous year EUR 0.0 million) includes the book value of the participation in Skandifinanz AG, which was sold within the first quarter of 2015.

Name/registered office	Equity share	Investment book value (EUR million)	Equity before revaluation reserve (EUR million)	Profit/loss (EUR million)
Skandifinanz Bank AG, Zurich	100%	12.2	13.2	-0.7

(27) Income tax assets

Income tax assets are broken down as follows:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Current income tax assets	3.8	0.3	> 100
Active deferred taxes	7.6	9.3	-17
Total	**11.5**	**9.6**	**20**

Deferred tax assets show the potential income tax relief resulting from temporary differences between assets and liabilities in the IFRS balance sheet and the balance sheet according to the tax regulations.

NORD/LB CBB applies the tax regulations to the IFRS financial statements. This means that many of the temporary differences no longer apply. Active deferred taxes relate to financial assets categorised as AfS and result from taking into account tax losses carried forward that affected profit/loss.

Deferred income tax assets were shown in connection with the following balance sheet items:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Assets			
Due from banks	0.0	0.0	-
Due from non-banks	0.0	0.0	-
Risk provisions	0.0	0.0	-
Financial assets	6.6	8.7	-24
Property. plant and equipment	0.0	0.0	-
Other assets	0.0	0.0	-
Liabilities			
Due to banks	0.0	0.0	-
Due to non-banks	0.0	0.0	-
Securitised liabilities	0.0	0.0	-
Financial liabilities at fair value through profit or loss	0.0	0.0	-
Fair values from hedge accounting	0.0	0.0	-
Provisions	1.0	0.6	79
Other liabilities	0.0	0.0	-
Equity	0.0	0.0	-
Total	**7.6**	**9.3**	**-18**

(28) Other assets

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Tax reimbursement rights from other taxes	0.0	3.2	-99
Other assets	0.3	0.5	-50
Other assets including accruals and deferred income	1.9	5.5	-65
Total	**2.2**	**9.2**	**-76**

Other assets mainly consists of accruals and deferred income items (EUR 1.9 million, previous year EUR 5.5 million).

(29) Liabilities to banks

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Deposits from other banks	**3,159.7**	**2,564.8**	**23**
Luxembourg banks	0.0	3.4	-100
Foreign banks	3,159.7	2,561.4	23
Liabilities arising from money market transactions	**5,758.9**	**7,492.0**	**-23**
Luxembourg banks	1,402.5	2,809.6	-50
Foreign banks	4,356.4	4,682.4	-7
Other liabilities	**1.5**	**18.4**	**-92**
Luxembourg banks	0.0	0.0	> 100
due on demand	0.0	0.0	> 100
deferred	0.0	0.0	-
Foreign banks	1.5	18.4	-92
due on demand	1.5	18.4	-92
deferred	0.0	0.0	-
Total	**8,920.0**	**10,075.2**	**-11**

Of the total amount, EUR 2,094.8 million (previous year EUR 2,534.7 million) is attributable to liabilities which will only become due after more than twelve months.

The predecessor institution, NORD/LB Luxembourg issued a registered promissory note in the volume of EUR 400.0 million in financial year 2012 and sold it to NORD/LB. This promissory note, which will mature in 2017, is furnished with the right to convert the promissory note if a specified core capital ratio is undercut and to replace it with a subordinate promissory note with the same nominal volume. In financial year 2014, EUR 200.0 million was repaid early with the approval of the CSSF and replaced by another refinancing instrument with NORD/LB without special rights in the same amount.

(30) Liabilities to customers

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Savings deposits	**0.0**	**0.0**	**-**
Liabilities arising from money market transactions	**2,004.1**	**1,946.4**	**3**
Luxembourg customers	1,167.6	721.6	62
Foreign customers	836.5	1,224.8	-32
Other liabilities	**1,140.3**	**842.4**	**35**
Luxembourg customers	29.3	27.9	5
due on demand	29.3	27.9	5
deferred	0.0	0.0	-
Foreign customers	1,111.1	814.5	36
due on demand	120.0	124.6	-4
deferred	991.0	689.9	44
Total	**3,144.4**	**2,788.8**	**13**

Of the total liabilities to customers, EUR 997.3 million is not due until after the next twelve months (previous year EUR 666.9 million).

(31) Securitised liabilities

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Issued debt securities	**2,663.7**	**2,271.8**	**17**
Money market papers / Commercial papers	**0.0**	**0.0**	**-**
Other securitised liabilities	**0.0**	**0.0**	**-**
Total	**2,663.7**	**2,271.8**	**17**

Of the total amount, EUR 1,184.0 million (previous year EUR 2,145.9 million) is attributable to liabilities which will only become due after more than twelve months. The issued debt securities are listed on the Luxembourg and Swiss stock exchanges respectively.

The largest share (EUR 1,249.1 million, previous year EUR 1,344.5 million) of the issued debt securities are covered bonds under Luxembourg law (lettres de gage). Of this amount, EUR 1,018.6 million is listed on the Luxembourg exchange (previous year EUR 1,123.1 million). Lettres de Gage to a counter value of EUR 230.4 million are listed on the Swiss exchange (previous year EUR 221.4 million).

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

This item contains trading liabilities (HfT) and financial liabilities designated at fair value (dFV).

The trading liabilities item comprises negative fair values from derivative financial instruments that are not used within the scope of hedge accounting and delivery obligations from the short selling of securities.

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

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Trading liabilities	**178.4**	**106.5**	**67**
Negative fair values from derivatives in connection with:	178.4	106.5	67
Interest rate risks	135.9	75.5	80
Currency risks	42.5	31.1	37
Share and other price risks	0.0	0.0	-
Credit derivatives	0.0	0.0	-
Short sale delivery obligations	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	**178.4**	**106.5**	**67**

A partial amount of EUR 147.0 million of the trading liabilities only becomes due after one year (previous year EUR 72.3 million).

(33) Fair values from hedge accounting

This item comprises negative fair values from hedging instruments from effective micro fair value hedging relationships. NORD/LB CBB utilises micro fair value hedge accounting to hedge interest rate and currency risks.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Fair values from allocated micro fair value hedge derivatives	916.1	741.5	24
Fair values in the scope of the fair value hedge accounting portfolio	0.0	0.0	-
Total	**916.1**	**741.5**	**24**

Hedge derivatives with a negative fair value of EUR 900.3 million will become due at the earliest after twelve months (previous year EUR 715.9 million).

(34) Provisions

Provisions are broken down as follows:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Provisions for pensions and similar obligations	**3.8**	**2.7**	**40**
Other provisions	**6.2**	**14.9**	**-58**
Provisions in lending business	1.0	9.7	-89
Provisions for uncertain liabilities	5.2	5.3	-2
Total	**10.0**	**17.7**	**-43**

Provisions for uncertain liabilities are mainly provisions in the personnel area (EUR 3.5 million, previous year EUR 2.0 million) and provisions in the organisation and IT area (EUR 1.6 million, previous year EUR 1.2 million).

Provisions for pensions and similar obligations

The calculation is based on the following actuarial assumptions:

Actuarial assumptions	**01.01.2015 in %**	**01.01.2014 in %**	**Increase/decrease (%)**
Annual salary growth	1.00	1.00	-
Annual inflation rate	2.50	2.50	-
Annual BBG contribution ceiling (including cost of living index)	3.79	3.79	-
(Actuarial interest) discount rate	2.20	3.70	-41
Mortality table: Statistical values published in the Grand Ducal Regulation of 15 January 2001, which governs the minimum funding of occupational pensions			
Expected return on plan assets	2.20	3.70	-41
Turnover rate	2.00	2.00	-

Provisions for pensions and similar obligations are as follows:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Cash value of the performance-related obligation (defined benefit obligation)	6.3	6.1	3
Deduction for the fair value of plan assets	-3.1	-3.9	-19
Surplus plan assets not shown as an asset	0.0	0.0	-
Other assets to be shown in the balance sheet (flat rate tax)	0.7	0.5	40
Total	**3.8**	**2.7**	**40**

In addition, the defined benefit obligation as at the reporting date is to be separated into amounts from defined benefit plans, which are not financed via a fund, and amounts from defined benefit plans that are wholly or partly financed by a fund. The latter applies to NORD/LB Luxembourg's defined benefit obligation. Experience-based adjustments to the development of the plan debts and the plan assets amount to -KEUR 248 (previous year -KEUR 596) and KEUR 0 (previous year -KEUR 113) respectively, according to the insurance company. The defined benefit plans include actuarial risks such as longevity risk, currency risk and market risk.

Salary growth and actuarial interest constitute the main influencing factors here. The following analysis shows the sensitivity of the cash value of the defined benefit obligations in relation to these two factors in the event of a change of +/- 1.0% respectively while the other parameters remain constant:

EUR million	Increase	Decrease
Interest	5.3	7.4
Wages	8.0	5.0

The fair value of the plan assets is composed as follows:

	01.01.2015 in %	01.01.2014 in %	Increase/decrease (%)
Equity instruments	4	9	-58
Debt instruments	92	84	9
Real estate	2	3	-43
Other assets	3	4	-36

The fair value of the plan assets includes equity instruments in the sum of KEUR 119 (previous year KEUR 349), debt instruments in the amount of KEUR 2,874 (previous year KEUR 3,253) as well as real estate and other assets in the sum of KEUR 134 (previous year KEUR 271). The overall expected yield of 2.20 % results from the weighted average of the expected income from the investment categories held through the plan assets. It is expected that a total of KEUR 394 will be paid into the plan assets of the defined benefit obligations during the next reporting period (previous year KEUR 410).

Other provisions changed as follows:

EUR million	Provisions in lending business	Restructuring provisions	Provisions for impending losses	Provisions for uncertain liabilities		Provisions for insurance business	Total
				from personnel area	other		
Opening balance NORD/LB Luxembourg Group	**9.6**	**0.0**	**0.0**	**2.0**	**2.4**	**0.0**	**14.0**
Changes from currency translations	0.2	0.0	0.0	0.0	0.0	0.0	**0.2**
Utilisation	0.0	0.0	0.0	-0.9	-0.2	0.0	**-1.1**
Reductions	-8.8	0.0	0.0	0.0	-1.2	0.0	**-10.0**
Transfers	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Allocations	0.0	0.0	0.0	2.5	0.7	0.0	**3.1**
Closing balance NORD/LB CBB	**1.0**	**0.0**	**0.0**	**3.5**	**1.6**	**0.0**	**6.2**

Contrary to Note (3), the figures presented in this table are based on those of the NORD/LB Luxembourg Group for reasons of simplification.

(35) Income tax liabilities

Income tax liabilities are broken down as follows:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Current income tax liabilities	0.5	4.0	-88
Passive deferred taxes	18.9	6.9	> 100
Total	**19.4**	**10.9**	**78**

Deferred tax liabilities refer to the potential income tax burdens from temporary differences between the values of the assets and liabilities in the IFRS balance sheet and the tax values according to the tax regulations.

The fiscal tax requirements have been applied to the IFRS financial statements since the 2008 reporting year. This means that many of the temporary differences no longer apply (see table below). The deferred taxes liabilities mainly result from the sale of the building owned by the Bank in 2008.

The deferred tax obligations are in connection with the following balance sheet items:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Assets			
Due from banks	0.0	0.0	-
Due from non-banks	0.0	0.0	-
Risk provisions	0.0	0.0	-
Financial assets	13.6	1.6	> 100
Liabilities			
Due to banks	0.0	0.0	-
Due to non-banks	0.0	0.0	-
Securitised liabilities	0.0	0.0	-
Provisions	0.0	0.0	-
Other liabilities	0.0	0.0	-
Equity	5.3	5.3	-
Total	**18.9**	**6.9**	**> 100**

(36) Other liabilities

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Liabilities from outstanding invoices	5.8	14.3	-60
Liabilities from short term remuneration of workers	6.0	5.1	19
Accruals and deferred income	2.3	2.7	-14
Liabilities from taxes and social security contributions not yet deducted	3.1	3.7	-16
Other liabilities	2.2	1.8	23
Total	**19.4**	**27.6**	**-30**

Liabilities arising from short-term remuneration of employees comprise outstanding leave entitlement and staff and management bonuses from the two predecessor institutions.

(37) Subordinated capital

Subordinated liabilities are only repaid after the claims of all senior lenders have been settled. They meet the conditions of the CRR with regard to offsetting as regulatory supplementary capital Offsetting takes place depending on the remaining term.

The changes illustrated in the table result from accrued interest and exchange rate fluctuations.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Subordinated liabilities	103.0	90.7	14
Profit participation capital	0.0	0.0	-
Contributions from silent partners	0.0	0.0	-
Total	**103.0**	**90.7**	**14**

Type of transaction	Nominal amount (in USD million)	Interest accrual (in USD million)	Rate at 01.01.2015	Balance sheet value (EUR million)	Term in years	Interest rates %	Maturity
Subordinated loans	60.0	0.0 USD	1.2141	49.4	15	0.4019	08.06.2016
Subordinated loans	65.0	0.0 USD	1.2141	53.5	15	0.6951	31.12.2017
Total	**125.0**	**0.0**		**103.0**			

The subordinated capital is liable to variable interest rates.

(38) Merger results

The table below shows the merger results for the two predecessor institutions of NORD/LB CBB:

In KEUR	01.01.2015
Effect from the consolidation of business	-3.742
Effect from NORD/LB CFB's revenue reserves	16.648
Merger result before taxes	**12.906**
Income taxes	1.093
Merger result after taxes	**13.999**

No income tax is incurred on the increase of the revenue reserves, since this was already collected from the predecessor institution NORD/LB CFB. The positive income tax results from the effects of the business consolidation.

(39) Notes on the level of equity

As at 1 January 2015, NORD/LB Luxembourg S.A. Covered Bond Bank's subscribed capital amounts to EUR 205 million (previous year EUR 205 million). It is divided into 820,000 registered shares without nominal value (previous year 820,000 registered shares). The subscribed capital is fully paid up.

The revenue reserves comprise the amounts accumulated in previous reporting years as well as allocations to reserves and profit/loss carried forward from the profit for the year. The negative differences (badwill) determined as part of the first-time consolidation of NORD/LB Luxembourg are deducted from the revenue reserves.

The effects of measuring available for sale (AfS) financial instruments are shown under the "Revaluation reserve" item.

In previous years, NORD/LB Luxembourg utilised the fiscal option of offsetting wealth tax for the year and appropriated an amount equivalent to five times the offset wealth tax for the tax group to the free reserves, in consideration of the five year "lock-in" period.

The following table shows how wealth tax affects the locked-in reserves which were taken over from the predecessor institutions:

Year	Wealth tax	Appropriation to the reserves (= five times the offset wealth tax)	Locked in until
2010	-	-	31.12.2015
2011	3.7	18.2	31.12.2016
2012	2.6	13.0	31.12.2017
2013	2.8	14.2	31.12.2018
2014	3.1	15.3	31.12.2019
Total	**12.2**	**60.7**	

(40) Term to maturity of financial liabilities and contingent liabilities

As at 1 January 2015 at NORD/LB CBB:

EUR million	< 1 month	1 month < 3 months	3 months< 1 year	1 year < 5 years	> 5 years	Total
Liabilities to banks	4,494.9	1,199.9	1,130.4	813.4	1,281.5	**8,920.0**
Liabilities to customers	1,971.2	72.8	103.1	131.8	865.5	**3,144.4**
Securitised liabilities	68.0	0.0	1,411.7	595.1	588.9	**2,663.7**
Financial liabilities at fair value through profit or 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**	**2,776.8**	**2,661.9**	**3,054.1**	**16,432.7**

As at 1 January 2014 in the NORD/LB Luxembourg Group:

EUR million	< 1 month	1 month < 3 months	3 months< 1 year	1 year < 5 years	> 5 years	Total
Liabilities to banks	3,906.6	2,834.8	799.1	1,558.4	976.3	**10,075.2**
Liabilities to customers	1,676.8	276.7	168.4	71.4	595.5	**2,788.8**
Securitised liabilities	0.0	81.5	44.3	1,866.3	279.6	**2,271.8**
Financial liabilities at fair value through profit or loss (without derivatives)	0.0	0.0	0.0	0.0	0.0	**0.0**
Subordinated capital	0.0	0.0	0.0	90.7	0.0	**90.7**
Irrevocable credit commitments	0.0	38.9	48.9	774.0	234.5	**1,096.3**
Financial guarantees	0.0	29.0	0.0	57.7	77.9	**164.6**
Total	**5,583.3**	**3,261.0**	**1,060.8**	**4,418.4**	**2,163.8**	**16,487.3**

Term to maturity is defined as the time remaining from the reporting date to the contractual maturity date.

More information about the liquidity risk can be found in the management report in the “Liquidity Risk” section of the risk report.

(41) Book values according to valuation categories

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Assets			
Financial Assets Designated at Fair Value through Profit or Loss	**1,696.3**	**514.3**	**> 100**
Financial assets held for trading	662.2	514.3	29
Financial assets designated at fair value through profit or loss	1,034.1	0.0	> 100
Available for Sale Assets	**4,360.8**	**6,101.1**	**-29**
Loans and Receivables	**10,561.1**	**10,111.2**	**4**
Total	**16,618.2**	**16,726.6**	**-1**
Liabilities			
Financial Liabilities Designated at Fair Value through Profit or Loss	**1,094.5**	**848.1**	**29**
Financial liabilities held for trading	1,094.5	848.1	29
Financial liabilities designated at fair value through profit or loss	0.0	0.0	-
Other Liabilities	**14,831.2**	**15,226.4**	**-3**
Total	**15,925.7**	**16,074.5**	**-1**

The fair values of underlying transactions from hedge accounting as defined by IAS 39 are allocated to the respective category, the fair values of securities transactions can be found again in the items HfT. Only financial instruments were considered here.

(42) Fair Value Hierarchy

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

01.01.2015 EUR million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Trading assets	**130.2**	**172.2**	**0.0**	**302.3**
Debt securities 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**	**359.8**	**0.0**	**359.8**
Interest rate risks	0.0	293.7	0.0	**294.1**
Currency risks	0.0	66.1	0.0	**66.1**
Financial assets (measured at fair value)	**3,547.9**	**813.0**	**0.0**	**4,360.8**
Debt securities and other fixed interest securities	3,547.8	812.9	0.0	**4,360.8**
Shares and other variable yield securities	0.1	0.0	0.0	**0.1**
Assets	**4,612.6**	**1,444.5**	**0.0**	**6,057.2**
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**	**916.1**	**0.0**	**916.1**
Interest rate risks	0.0	822.9	0.0	**823.1**
Currency risks	0.0	93.1	0.0	**93.4**
Liabilities	**0.0**	**1,094.5**	**0.0**	**1,094.5**

There are no Level 3 securities in the Bank's portfolio on the valuation date.

01.01.2014 EUR million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Trading assets	**82.6**	**161.8**	**0.0**	**244.4**
Debt securities and other fixed interest securities	82.6	56.6	0.0	**139.2**
Positive fair values from derivatives	0.0	105.2	0.0	**105.2**
Interest rate risks	0.0	53.0	0.0	**53.0**
Currency risks	0.0	52.3	0.0	**52.3**
Financial assets designated at fair value	**0.0**	**0.0**	**0.0**	**0.0**
Positive fair values from hedge accounting derivatives	**0.0**	**269.8**	**0.0**	**269.8**
Interest rate risks	0.0	200.8	0.0	**200.8**
Currency risks	0.0	69.0	0.0	**69.0**
Financial assets (measured at fair value)	**3,664.7**	**2,436.4**	**0.0**	**6,101.1**
Debt securities and other fixed interest securities	3,628.9	2,436.3	0.0	**6,065.2**
Shares and other variable yield securities	35.9	0.1	0.0	**36.0**
Assets	**3,747.3**	**2,868.0**	**0.0**	**6,615.4**
Trading liabilities	**0.0**	**106.5**	**0.0**	**106.5**
Negative fair values from derivatives	0.0	106.5	0.0	**106.5**
Interest rate risks	0.0	75.5	0.0	**75.5**
Currency risks	0.0	31.0	0.0	**31.0**
Financial liabilities designated at fair value	**0.0**	**0.0**	**0.0**	**0.0**
Negative fair values from hedge accounting derivatives	**0.0**	**741.5**	**0.0**	**741.5**
Interest rate risks	0.0	683.0	0.0	**683.0**
Currency risks	0.0	58.5	0.0	**58.5**
Liabilities	**0.0**	**848.1**	**0.0**	**848.1**

Financial assets and liabilities are initially measured at market prices at the time of acquisition. There was no initial valuation at Level 3 in either reporting period; a day-one profit or loss consequently did not occur.

The following table shows the breakdown of the fair value of the assets and liabilities which are not stated at fair value on the balance sheet, but for which the fair value was stated in the Notes, according to the fair value hierarchy:

01.01.2015 EUR million	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 assets not posted at fair value	109.0	2,592.2	0.0	**2,701.2**
Assets	**1,001.0**	**2,999.9**	**6,526.1**	**10,527.0**
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**

01.01.2014 EUR million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Cash reserve	53.8	0.0	0.0	**53.8**
Loans and advances to banks	678.8	316.9	1,170.1	**2,165.9**
Loans and advances to customers	117.8	166.1	5,048.7	**5,332.6**
Financial assets not posted at fair value	0.0	2,439.5	0.0	**2,439.5**
Assets	**850.5**	**2,922.5**	**6,218.8**	**9,991.8**
Liabilities to banks	614.0	0.0	9,637.0	**10,251.0**
Liabilities to customers	163.1	0.0	2,628.3	**2,791.4**
Securitised liabilities	0.0	0.0	2,285.9	**2,285.9**
Subordinated capital	0.0	0.0	90.7	**90.7**
Liabilities	**777.2**	**0.0**	**14,641.8**	**15,419.0**

(43) Fair Value of financial instruments

The fair values of financial instruments that are recognised in the balance sheet at amortised cost (LaR) or with the hedge fair value (LaR) are contrasted with the carrying amounts in the following table:

EUR million	Fair value 01.01.2015	Book value 01.01.2015	Difference 01.01.2015	Fair value 01.01.2014	Book value 01.01.2014	Difference 01.01.2014
Assets	**10,489.9**	**10,525.7**	**-35.7**	**9,946.2**	**10,113.1**	**-166.9**
Cash reserve	2.5	2.5	0.0	53.8	55.7	-1.9
Loans and advances to banks	1,401.0	1,398.8	2.2	2,165.9	2,163.1	2.7
Loans and advances to customers	6,422.3	6,199.4	222.9	5,332.6	5,174.5	158.1
Financial assets	2,701.2	2,962.1	-260.9	2,439.5	2,765.3	-325.9
Risk provisions	-37.1	-37.1	0.0	-45.6	-45.6	0.0
Loans and advances after risk provisions	**10,487.5**	**10,523.2**	**-35.7**	**9,892.3**	**10,057.4**	**-165.0**
Liabilities	**15,035.4**	**14,831.2**	**204.3**	**15,419.0**	**15,226.4**	**192.5**
Liabilities to banks	9,148.9	8,920.0	228.9	10,251.0	10,075.2	175.8
Liabilities to customers	3,128.3	3,144.4	-16.1	2,791.4	2,788.8	2.6
Securitised liabilities	2,655.2	2,663.7	-8.5	2,285.9	2,271.8	14.1
Subordinated capital	103.0	103.0	0.0	90.7	90.7	0.0

Fair values were determined in accordance with the discounted cash flow method on the basis of the interest structure curve effective on the balance sheet date.

The amounts listed in the “Book value” column include the assets and liabilities reported on the balance sheet at amortised cost or with the hedge or full fair value. If a hedge or full fair value is shown as a book value, the value is also shown in the “Fair Value” column.

(44) Derivative financial instruments

The Bank uses derivative financial instruments for hedging purposes as part of asset/liability management.

Derivative financial instruments denominated in foreign currencies are mainly negotiated 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 are the gross volume of all purchases and sales. This value is a reference amount used to determine mutually agreed-on adjustment payments, but does not include receivables or liabilities that are eligible for recognition on the balance sheet.

The composition of the derivative portfolio is as follows:

EUR million	Nominal values 01.01.2015	Nominal values 01.01.2014	Market values, positive 01.01.2015	Market values, positive 01.01.2014	Market values negative 01.01.2015	Market values negative 01.01.2014
Interest rate risks	**9,689.5**	**10,338.3**	**356.2**	**253.8**	**958.6**	**758.6**
Interest rate swaps	8,898.4	9,852.2	351.7	253.2	958.6	758.4
Caps, floors	30.0	40.0	0.0	0.2	0.0	0.2
Stock exchange contracts	609.4	430.6	0.0	0.0	0.0	0.0
Other forward rate agreements	151.6	15.4	4.5	0.4	0.0	0.0
Currency risks	**6,598.4**	**6,518.5**	**168.5**	**121.3**	**135.9**	**89.5**
Forward exchange contracts	3,346.0	3,180.0	71.7	10.4	9.7	30.5
Currency swaps/Interest rate-currency swaps	3,252.4	3,338.5	96.8	110.8	126.2	59.0
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	**16,287.9**	**16,856.8**	**524.7**	**375.0**	**1,094.5**	**848.1**

The following table shows the term to maturity of derivative financial instruments:

Nominal value (EUR million)	Interest rate risks		Currency risks		Share and other price risks		Credit derivatives	
	01.01.2015	01.01.2014	01.01.2015	01.01.2014	01.01.2015	01.01.2014	01.01.2015	01.01.2014
Term to maturity								
Up to 3 months	940.9	1,021.7	3,302.7	3,265.1	0.0	0.0	0.0	0.0
Over 3 months and up to 1 year	1,115.5	551.4	709.9	114.4	0.0	0.0	0.0	0.0
Over 1 year and up to 5 years	4,523.7	5,424.0	682.5	1,325.1	0.0	0.0	0.0	0.0
Over 5 years	3,109.3	3,341.1	1,903.3	1,813.9	0.0	0.0	0.0	0.0
Total	**9,689.5**	**10,338.3**	**6,598.4**	**6,518.5**	**0.0**	**0.0**	**0.0**	**0.0**

The term to maturity is the period of time between the balance sheet date and the contractual maturity.

The following table below breaks down the positive and negative market values for derivative transactions according to the relevant counterparty:

EUR million	Nominal values 01.01.2015	Nominal values 01.01.2014	Market values, positive 01.01.2015	Market values, positive 01.01.2014	Market values, negative 01.01.2015	Market values, negative 01.01.2014
Banks in OECD countries	15,320.8	15,825.2	496.5	367.1	1,084.1	840.0
Banks outside OECD countries	527.0	271.7	9.6	0.0	1.0	2.3
Public sector entities in OECD countries	0.0	0.0	0.0	0.0	0.0	0.0
Other counterparties (including stock exchange contracts)	440.0	760.0	18.6	7.9	9.4	5.7
Total	**16,287.9**	**16,856.8**	**524.7**	**375.0**	**1,094.5**	**848.1**

(45) Information relating to selected countries

The following table shows the reported values of the transactions in relation to selected countries. The information regarding the country also includes regional governments, local municipal governments and firms with government links. The Bank does not have any business with the selected countries shown in the HfT or dFV categories.

01.01.2015 EUR million	Available for Sale Assets	Loans and Receivables
Portugal		
Sovereign Exposure	0.0	0.0
Financial 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
Financial Institutions/Insurance Companies	0.0	82.7
Corporates/Other	0.0	10.1
Total	**0.0**	**92.8**
Italy		
Sovereign Exposure	99.7	73.8
Financial Institutions/Insurance Companies	117.9	52.0
Corporates/Other	0.0	7.3
Total	**217.6**	**133.1**
Greece		
Sovereign Exposure	0.1	0.0
Financial 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
Financial 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
Financial Institutions/Insurance Companies	189.7	262.6
Corporates/Other	0.0	6.1
Total	**189.7**	**268.3**

01.01.2014 EUR million	Available for Sale Assets	Loans and Receivables
Portugal		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	70.0	0.0
Corporates/Other	0.0	34.8
Total	**70.0**	**34.8**

Ireland		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	0.0	81.8
Corporates/Other	0.0	10.1
Total	**0.0**	**91.9**
Italy		
Sovereign Exposure	80.8	61.4
Financial Institutions/Insurance Companies	253.6	54.4
Corporates/Other	0.0	1.7
Total	**334.4**	**117.5**
Greece		
Sovereign Exposure	0.1	0.0
Financial Institutions/Insurance Companies	0.0	0.0
Corporates/Other	0.0	0.0
Total	**0.1**	**0.0**
Hungary		
Sovereign Exposure	0.0	119.6
Financial Institutions/Insurance Companies	0.0	0.0
Corporates/Other	0.0	0.0
Total	**0.0**	**119.6**
Spain		
Sovereign Exposure	0.0	0.0
Financial Institutions/Insurance Companies	281.6	275.4
Corporates/Other	0.0	8.6
Total	**281.6**	**284.0**

In the reporting period, there were no exposures in the countries of Egypt, Slovenia or Cyprus.

Credit derivatives are not included in the above figures.

For the financial instruments in the Available for Sale category with acquisition costs in the total sum of EUR 386.8 million (previous year EUR 689.5 million), the cumulative valuation result in the equity relating to the above listed selected countries taken over from the predecessor institutions totals EUR -22.8 million (previous year EUR -32.9 million).

For the receivables in the Loans and Receivables category relating to the selected countries listed above, there are portfolio loan loss provisions in the sum of EUR 1.7 million (previous year EUR 4.3 million). The fair value of these receivables in the Loans and Receivables category totals EUR 595.8 million (EUR 564.1 million).

The interest rates for the abovementioned transactions are between 0.0% p.a. and 6.59% p.a.. The individual terms to maturity of the transactions range from 2015-2036, with 2% of the receivables becoming due in the next 12 months and 14% in the next 36 months.

The following tables show the application of the fair value hierarchy of the financial assets and liabilities shown at fair value affecting profit/loss and not affecting profit/loss for selected countries:

01.01.2015 EUR million	Level 1	Level 2	Level 3	Total
Portugal				
Sovereign Exposure	0.0	0.0	0.0	**0.0**
Financial 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**
Financial 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**
Financial 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**
Financial 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**
Financial 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**
Financial 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**

01.01.2014 EUR million	Level 1	Level 2	Level 3	Total
Portugal				
Sovereign Exposure	0.0	0.0	0.0	**0.0**
Financial Institutions/Insurance Companies	0.0	70.0	0.0	**70.0**
Corporates/Other	0.0	0.0	0.0	**0.0**
Total	**0.0**	**70.0**	**0.0**	**70.0**
Ireland				
Sovereign Exposure	0.0	0.0	0.0	**0.0**
Financial 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	80.8	0.0	**80.8**
Financial Institutions/Insurance Companies	54.9	198.7	0.0	**253.6**
Corporates/Other	0.0	0.0	0.0	**0.0**
Total	**54.9**	**279.5**	**0.0**	**334.4**
Greece				
Sovereign Exposure	0.0	0.1	0.0	**0.1**
Financial Institutions/Insurance Companies	0.0	0.0	0.0	**0.0**
Corporates/Other	0.0	0.0	0.0	**0.0**
Total	**0.0**	**0.1**	**0.0**	**0.1**
Hungary				
Sovereign Exposure	0.0	0.0	0.0	**0.0**
Financial 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**
Financial Institutions/Insurance Companies	51.9	229.7	0.0	**281.6**
Corporates/Other	0.0	0.0	0.0	**0.0**
Total	**51.9**	**229.7**	**0.0**	**281.6**

In terms of the selected countries, there were only financial assets reported at fair value as at the reporting date.

(46) Forbearance Exposure

Forborne exposures refer to all receivables where the Bank or its predecessor institutions have attempted to maintain the business operations and debt service of the customer in the past by means of payment deferments, restructuring or waiver of margins in order to avoid default or impairment. The following valuations relate to balance sheet items on the reporting date:

01.01.2015 EUR million	Balance sheet item before value adjustment	Specific value adjustments	Balance sheet item after value adjustment
Construction industry	0.5	-0.4	0.1
Services and other	161.3	-15.9	145.5
Financial institutions and insurance	5.3	0.0	5.3
Trade	0.9	0.0	0.9
Processing industry	41.2	0.0	41.2
Total	**209.2**	**-16.2**	**193.0**

01.01.2014 EUR million	Balance sheet item before value adjustment	Specific value adjustments	Balance sheet item after value adjustment
Construction industry	0.4	-0.4	0.0
Services and other	165.3	-22.9	142.4
Financial institutions and insurance	5.8	0.0	5.8
Trade	1.9	0.0	1.9
Processing industry	100.0	0.0	100.0
Total	**273.4**	**-23.3**	**250.1**

Beyond this, no loan provisions exist for the commitments concerned here.

(47) Underlying transactions in effective hedging relationships

Financial assets and liabilities, which are part of a hedging relationship as underlying transactions according to IAS 39, continue to be shown together with the unhedged transactions in the respective balance sheet item, since the hedging does not change the nature and function of the underlying transaction.

The balance sheet value of the financial instruments otherwise shown on the balance sheet at amortised cost (LaR and OL categories) is, however, adjusted by the fair value change resulting from the hedged risk.

The balance sheet reporting of financial instruments of the AfS category continues to be done at full fair value. The financial assets and liabilities, which are part of an effective micro fair value hedge relationship as hedged underlying transactions, are shown below for informational purposes:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)	Increase/decrease (%)
Assets			
Loans and advances to banks	222.9	234.2	-5
Loans and advances to customers	546.9	559.7	-2
Financial assets	5,005.1	6,280.5	-20
Total	**5,775.0**	**7,074.4**	**-18**
Liabilities			
Liabilities to banks	106.1	73.8	44
Liabilities to customers	965.9	669.8	44
Securitised liabilities	1,419.1	1,529.0	-7
Subordinated capital	0.0	0.0	-
Total	**2,491.1**	**2,272.7**	**10**

(48) NORD/LB CBB as assignor and assignee

The following assets were assigned by the Bank as security for liabilities:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Loans and advances to banks	727.7	611.5
Loans and advances to customers	9.1	5.8
Financial instruments measured at fair value through profit or loss	0.0	0.0
Financial assets	3,629.6	4,333.3
Total	**4,366.4**	**4,950.6**

The furnishing of financial assets as security for borrowing funds took the form of genuine repurchase agreements (repos) with a maximum remaining term of six months. Expenses and income from the pledged securities continue to be due to the Bank.

The furnishing of security in the form of deposits at banks took place at standard market interest rates and predominantly covers value changes in derivative transactions. The relevant remaining terms are shown in Note (44) **instruments**.

The following securities were assigned for liabilities in the amounts stated:

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Financial assets assigned to the Bank as security	105.7	989.1
Liabilities to banks	503.7	371.0
Total	**609.4**	**1,360.1**

As at the balance sheet date, no securities are held which may also be sold or passed on without default by the collateral provider.

(49) Offsetting Financial Assets and Liabilities

The effects or potential effects of set-off rights in connection with financial assets and liabilities are shown in the following table:

01.01.2015 (EUR million)	Gross amount before offsetting	Amount offset	Net amount after offsetting	Master netting arrangements and similar without balancing (offsetting)			Net amount
				of which: financial instruments	Securities		
					Securities	Cash collateral	
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**
Lending transactions and repurchase agreements	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**
Lending transactions and repurchase agreements	3,952.2	0.0	**3,952.2**	0.0	-3,629.2	0.0	**323.0**

01.01.2014 (EUR million)	Gross amount before offsetting	Amount offset	Net amount after offsetting	Master netting arrangements and similar without balancing (offsetting)			Net amount
				of which: financial instruments	Securities		
					Securities	Cash collateral	
Assets	**1,355.5**	**0.0**	**1,355.5**	**-866.2**	**-329.9**	**-126.2**	**33.0**
Derivatives	359.2	0.0	**359.2**	-230.5	0.0	-126.2	**2.4**
Lending transactions and repurchase agreements	996.3	0.0	**996.3**	-635.7	-329.9	0.0	**30.6**
Liabilities	**5,086.4**	**0.0**	**5,086.4**	**-866.2**	**-3,605.7**	**-599.3**	**12.1**
Derivatives	837.0	0.0	**837.0**	-230.5	0.0	-599.3	**7.1**
Lending transactions and repurchase agreements	4,246.4	0.0	**4,246.4**	-635.7	-3,605.7	0.0	**5.0**

The business with derivative financial instruments and the business in lending transactions and repurchase agreements is normally carried out on the basis of bilateral framework agreements concluded with the counterparty. These simply provide for contingent rights to offset the receivables, liabilities and the provided and received collateral such as in the event of a breach of contract or insolvency. As a consequence, there is no current right to offset in accordance with IAS 32.42.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Genuine repurchase agreements as a repurchase buyer (reverse repos)	**113.2**	**996.3**
Loans and advances to banks	113.2	996.3
Loans and advances to customers	0.0	0.0
Genuine repurchase agreements as a repurchase seller (repos)	**3,952.2**	**4,246.4**
Liabilities to banks	3,952.2	4,246.4
Liabilities to customers	0.0	0.0

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Loaned securities	**0.0**	**0.0**
Loaned securities at fair value through profit or loss	0.0	0.0
Loaned securities from financial assets	0.0	0.0
Borrowed securities	**0.0**	**0.0**

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Securities sold under repurchase agreements	**3,629.6**	**4,333.3**
Securities sold under repurchase agreements at fair value through profit or loss	0.0	0.0
Securities sold under repurchase agreements from financial assets	3,629.6	4,333.3
Securities bought under repurchase agreements	**105.7**	**989.1**

(50) Transfer and derecognition of financial assets

The risks and opportunities arising from transferred financial assets or associated liabilities and remaining at NORD/LB CBB are shown below. There are no transferred financial assets which are only partially shown on the Bank's balance sheet. Likewise, there are no transferred assets with right of recourse.

EUR million	01.01.2015		01.01.2014	
	Full recognition of financial assets despite transfer			
	Book value of the assets	Book value of the associated liabilities	Book value of the assets	Book value of the 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 at fair value through profit or loss	0.0	0.0	0.0	0.0
Financial assets not posted at fair value	0.0	0.0	0.0	0.0
Financial assets posted at fair value	3,629.6	3,952.2	4,333.3	4,246.4
Assets for sale not posted at fair value	0.0	0.0	0.0	0.0
Assets for sale posted at fair value	0.0	0.0	0.0	0.0
Other assets not posted at fair value	0.0	0.0	0.0	0.0
Other assets posted at fair value	0.0	0.0	0.0	0.0
Total	**3,629.6**	**3,952.2**	**4,333.3**	**4,246.4**

The transferred financial assets are genuine repurchase agreements.

(51) Regulatory Information

The risk-weighted asset values and the regulatory equity have been based on the regulations of the IFRS since the 2008 reporting year and on the basis of the CRR since financial year 2014.

Risk-weighted asset values

NORD/LB Luxembourg S.A. Covered Bond Bank uses internal approaches for the purpose of determining risk.

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Risk assets	4,332.9	4,109.1
Weighted operational risks	224.1	242.0
Market risk positions	105.2	59.1
Total	**4,662.2**	**4,410.2**

NORD/LB CBB uses the standard methods to determine the equity requirements for operational risks. These resulted in an equity requirement in the amount of EUR 17.9 million as at 01 January 2015 (previous year EUR 19.4 million).

Regulatory equity

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Contributed capital	205.0	205.0
Other reserves	454.9	495.7
Remaining components	-11.2	-11.4
Deductions from core capital	-6.1	-0.5
Core capital	**642.6**	**688.8**
Asset deposits of silent shareholders	0.0	0.0
Subordinated debt securities (part that can be offset)	46.3	45.7
EL shortfall/IRB longfall (supplementary capital)	18.8	-0.5
Supplementary capital	**65.1**	**45.2**
Liable equity	**707.7**	**734.0**
Tier three funds	0.0	0.0
Equity capital	**707.7**	**734.0**

The objectives of equity management are to ensure an adequate equity base from a quantitative and qualitative standpoint, generate a reasonable return on equity and permanently comply with the regulatory minimum capital ratio. The authoritative equity factors for equity management constitute

- the reported equity,
- regulatory core capital and
- regulatory equity capital.

Target capital ratios are defined for the regulatory capital factors, in which the numerator constitutes the respective capital factor and the denominator the risk-weighted asset values in accordance with the rules of the CRR.

The actual development of the capital factors listed and the associated capital ratios are calculated regularly and reported to the management and the supervisory bodies of the Bank. Likewise, if required, estimates and forecasts are prepared in relation to these capital factors and capital ratios. If these indicate a risk to the defined target capital ratios, alternative or cumulative adjustment measures are implemented in relation to the risk-weighted assets or, in agreement with the parent bank, procurement measures aimed at individual capital factors are implemented.

Minimum capital ratios

As at 1 January 2015, NORD/LB Luxembourg S.A. Covered Bond Bank reported the following ratios:

	01.01.2015	01.01.2014
Overall coefficient	15.2 %	16.6 %
Core capital ratio	13.8 %	15.6 %

In response to a request by the predecessor institutions, the CSSF regulatory body granted the Bank exemption from compliance with the large risk limit for companies in the NORD/LB Group in accordance with Article 20 “Group Exemptions” of Regulation 14/01 (CSSF Regulation no. 14-01 on the implementation of certain discretions of Regulation (EU) 575/2013 dated 11 February 2014). On the reporting date, there are accounts and guarantees receivable from group companies in the sum of EUR 306.9 million (previous year EUR 239.8 million).

(52) Foreign currency volumes

On 01 January 2015, there were the following assets and liabilities in foreign currencies:

EUR million	USD	JPY	CHF	Other	Total
Assets					
Cash reserve	0.0	0.0	0.0	0.0	**0.0**
Loans and advances to banks	260.1	1.2	1.5	7.4	**270.2**
Loans and advances to customers	951.2	8.4	221.0	142.7	**1,323.3**
Risk provisions	-0.2	0.0	-1.7	0.0	**-1.9**
Financial assets at fair value through profit or loss	32.1	25.1	1.7	16.9	**75.8**
Positive fair values from hedge accounting	41.4	44.1	74.9	9.9	**170.4**
Financial assets	1,738.3	161.7	127.2	290.6	**2,317.8**
Other assets	0.0	0.0	0.0	0.0	**0.0**
Total	**3,023.0**	**240.6**	**424.6**	**467.4**	**4,155.7**
Liabilities					
Liabilities to banks	2,581.6	0.0	0.0	300.5	**2,882.2**
Liabilities to customers	157.7	0.0	16.8	157.4	**331.8**
Securitised liabilities	758.6	274.5	230.4	289.6	**1,553.2**
Financial liabilities at fair value through profit or loss	166.3	3.1	3.5	0.9	**173.9**
Negative fair values from hedge accounting	764.3	88.1	8.3	146.4	**1,007.2**
Other liabilities	0.1	0.0	0.0	0.0	**0.1**
Subordinated capital	103.0	0.0	0.0	0.0	**103.0**
Total	**4,531.6**	**365.8**	**259.0**	**894.9**	**6,051.3**

As at 1 January 2014, there were the following assets and liabilities in foreign currencies at the predecessor institutions:

EUR million	USD	JPY	CHF	Other	Total
Assets					
Cash reserve	0.0	0.0	0.1	0.0	**0.1**
Loans and advances to banks	374.8	11.1	0.2	6.9	**392.9**
Loans and advances to customers	892.5	16.7	255.4	91.8	**1,256.5**
Risk provisions	0.0	0.0	-10.0	0.0	**-10.0**
Financial assets at fair value through profit or loss	-162.8	31.1	36.7	3.5	**-91.6**
Positive fair values from hedge accounting	-445.4	65.3	67.2	223.6	**-89.3**
Financial assets	1,558.4	160.1	121.9	240.5	**2,080.8**
Other assets	0.0	0.0	0.0	0.0	**0.0**
Total	**2,217.4**	**284.3**	**471.4**	**566.2**	**3,539.4**
Liabilities					
Liabilities to banks	2,431.1	0.0	0.0	228.5	**2,659.6**
Liabilities to customers	403.2	0.0	1.3	378.6	**783.1**
Securitised liabilities	682.8	272.7	302.9	290.8	**1,549.3**
Financial liabilities at fair value through profit or loss	12.4	5.0	3.9	2.8	**24.1**
Negative fair values from hedge accounting	364.9	128.8	-73.0	184.1	**604.8**
Other liabilities	0.0	0.0	-1.2	0.1	**-1.1**
Subordinated capital	90.7	0.0	0.0	0.0	**90.7**
Total	**3,985.0**	**406.6**	**233.8**	**1,084.9**	**5,710.3**

(53) Contingent liabilities and other obligations

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
Contingent liabilities	**179.3**	**164.6**
Contingent liabilities under rediscounted bills of exchange	0.0	0.0
Liabilities from guarantees and other indemnity agreements	179.3	164.6
Irrevocable credit commitments	**1,422.2**	**1,096.3**
Total	**1,601.5**	**1,260.9**

Liabilities from guarantees and other indemnity agreements include credit guarantees, trade-related guarantees and contingent liabilities from other guarantees and other indemnity agreements.

Disclosures on the estimation of financial effects, the uncertainty with regard to the amount or timing of asset outflows and the possibility of adjustment payments are not made for reasons of practicality.

Liabilities from guarantees and other indemnity agreements (financial guarantees) are reported in compliance with IAS 39. The liabilities from existing rent, lease, guarantee or similar contracts are within the normal scope of business.

(54) Subordinated assets

	01.01.2015 (EUR million)	01.01.2014 (EUR million)
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 or loss	0.0	0.0
Financial assets	45.0	45.0
Total	**45.0**	**45.0**

Assets are regarded as subordinated if the claims they represent are only settled after the claims of other creditors in the event of the liquidation or insolvency of a debtor.

The Bank holds two subordinate issues from Austrian banks in its own portfolio, which have a guarantor liability from Austrian federal states in accordance with former legislation.

(55) Trust transactions/activities

As at 1 January 2015, there were no trust transactions/activities.

(56) Events after the balance sheet date

Skandifinanz AG, Zurich, was sold to Nord-Ostdeutsche Beteiligungs GmbH on 5 March 2015. There are no major effects from the sale.

On 2 March 2015, the predecessor institution, NORD/LB CFB, successfully placed a benchmark bond with a nominal volume of EUR 500 million. The issue was oversubscribed threefold when the order books were closed on the same day.

On 19 May 2015, the rating agency Fitch downgraded the long-term IDR of the predecessor institute, NORD/LB CFB, from “A” to “A-” and the senior debts of NORD/LB CFB from “A” to “A-”. On 9 June 2015, the rating agency S&P downgraded the bank rating of NORD/LB Luxembourg Covered Bond Bank from BBB+ to BBB. The background to this is the introduction of the Bank Recovery and Resolution Directive (BRRD) and its impact on state support.

Apart from these changes described above, there were no other significant events between the balance sheet reporting date of 1 January 2015 and the preparation of these financial statements on 30 June 2015 by the Board of Directors.

(57) Number of employees

The number of personnel at NORD/LB Luxembourg S.A. Covered Bond Bank as at 1 January 2015 and in the NORD/LB Luxembourg Group (2014) can be broken down as follows:

	Male 2015	Male 2014	Female 2015	Female 2014	Total 2015	Total 2014
NORD/LB CBB	115.0	132.8	59.0	61.8	174.0	194.6
Total	**115.0**	**132.8**	**59.0**	**61.8**	**174.0**	**194.6**

(58) Related party disclosures

All consolidated subsidiaries of NORD/LB CBB qualified as related legal entities. In addition, NORD/LB (parent company of NORD/LB CBB) and entities pursuant to IAS 24.9 (b) are deemed to be related parties.

Natural persons who are regarded as related parties in accordance with IAS 24 are members of the Board of Directors and the Supervisory Board of NORD/LB CBB, the members of the Board of Directors of NORD/LB as the Group's parent company and their close family members.

Within the scope of ordinary business activities, transactions and security agreements with related parties are concluded under normal market terms and conditions. These transactions are subject to the market conformity monitoring used in the Bank.

At 01 January 2015:

In KEUR	Shareholders	Persons in key functions	Other related parties
Outstanding loans and advances	289,404	0	0
to banks	289,404	0	0
to customers	0	0	0
Trading derivatives on assets side	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 derivatives on liabilities side	269,285	0	4,597
Subordinated capital	102,987	0	0
Other liabilities	1,133	3,783	0
Total equity and liabilities	**3,915,892**	**3,783**	**21,866**
Guarantees / sureties granted	**0**	**17**	**0**

The predecessor institution, NORD/LB Luxembourg issued a registered promissory note in the volume of EUR 400.0 million in financial year 2012 and sold it to NORD/LB. This promissory note, which will mature in 2017, is furnished with the right to convert the promissory note if a specified core capital ratio is undercut and to replace it with a subordinate promissory note with the same nominal volume. In financial year 2014, EUR 200.0 million was repaid early with the approval of the CSSF and replaced by another refinancing instrument with NORD/LB without special rights in the same amount.

The issue and the pro-rated repayment took place under normal market conditions.

At 01 January 2014:

In KEUR	**Shareholders**	**Persons in key functions**	**Other related parties**
Outstanding loans and advances	180,070	20	0
to banks	180,070	0	0
to customers	0	20	0
Trading derivatives on assets side	146,442	0	0
Other assets	16,679	0	46,021
Total assets	**343,191**	**20**	**46,021**
Outstanding liabilities			3
to banks	3,755,789	0	3
to customers	0	0	0
Securitised liabilities	394,859	0	0
Trading derivatives on liabilities side	160,257	0	4,885
Subordinated capital	90,665	0	0
Other liabilities	10,589	2,964	0
Total equity and liabilities	**4,412,160**	**2,964**	**4,888**
Guarantees / sureties granted	**0**	**20**	**0**

(59) Members of executive bodies and their positions

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 (Chairman)
- Ulrike Brouzi, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover
- Thomas Bürkle, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover
- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, Hanover (until 31 December 2014)
- Christoph Schulz, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Positions

As at the reporting date, 1 January 2015, the following positions were held by the members of the Board of Directors of NORD/LB Luxembourg S.A. Covered Bond Bank:

Christian Veit

- L'Institut de Formation Bancaire (IFBL), Luxembourg, Member of the Administrative Board
- Skandifinanz AG, Zürich, Member of the Administrative Board

Thorsten Schmidt

- NORD/LB G-MTN S.A., Luxembourg, Chairman of the Administrative Board

Responsibility Statement

We confirm to the best of our knowledge that the opening balance, in accordance with the applicable accounting standards, gives a true and fair view of the assets of NORD/LB Luxembourg S.A. Covered Bond Bank and the position of NORD/LB S.A. Covered Bond Bank reflected in the management report conveys a fair view of the actual situation and that the main opportunities and risks in the anticipated development of NORD/LB Luxembourg S.A. Covered Bond Bank have been described.

Luxembourg, 30 June 2015

NORD/LB Luxembourg S.A. Covered Bond Bank

Christian Veit	Thorsten Schmidt
CEO Chairman of the Board of Directors	Deputy CEO Member of the Board of Directors
NORD/LB Luxembourg S.A. Covered Bond Bank	NORD/LB Luxembourg S.A. Covered Bond Bank

Report of the Auditors

To the Board of Directors of
NORD/LB Luxembourg S.A.
Covered Bond Bank
7, rue Lou Hemmer
L-1748 Luxemburg-Findel, Luxembourg

We have audited the attached financial statement of NORD/LB Luxembourg S.A. Covered Bond Bank, comprising the opening balance as at 1 January 2015 and the Notes.

Responsibility of the Board of Directors for the Financial Statement

The Board of Directors is responsible for the preparation and proper representation of the financial statements in accordance with the International Financial Reporting Standards as they are to be applied in the European Union, and for the internal controls, which it considers necessary to enable the preparation of the financial statements, which are free from incorrect information, irrespective of whether due to fraud or error.

Responsibility of the Auditor

Our responsibility is to express an opinion on this financial statement 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 require that we comply with professional rules of conduct and that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. Selection of the audit procedures is the responsibility of the auditor, as is the assessment of the risk that the financial statements contain material misstatements due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the preparation and proper representation of the financial statements in order to define audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

An audit also comprises evaluating the appropriateness of the accounting policies and methods used and the justifiability of the estimated values calculated by the Board of Directors in the accounts, as well as the assessment of the overall presentation of the financial statements.

We are of the opinion that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements, in accordance with the International Financial Reporting Standards as they are to be applied in the European Union, give a true picture of the financial position of NORD/LB Covered Finance Bank S.A. as at 1 January 2015.

Miscellaneous

We reviewed the additional information attached to the financial statement (management report, segment reporting and statement of changes in equity) during our assignment, but it was not the subject of special audit procedures in accordance with the standards described above. Therefore, our audit opinion does not refer to this information. This information did not give us any reason to comment in the context of the overall presentation of the financial statement.

Luxembourg, 30 June 2015

KPMG Luxembourg
Société coopérative Cabinet de révision agréé

Harald Thönes

NORD/LB
Covered Bond Bank
Luxembourg

NORD/LB Luxembourg S.A. Covered Bond Bank
7, rue Lou Hemmer
L-1748 Luxembourg-Findel, Luxembourg
R.C.S. Luxembourg B 10405

www.nordlb.lu