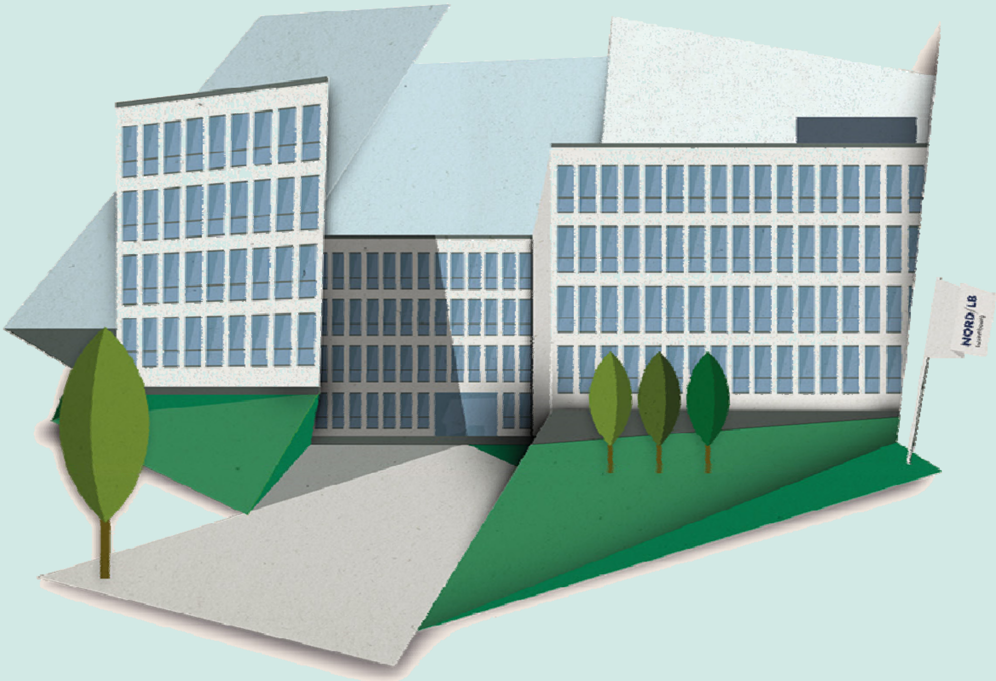
NORD/LB
Covered Bond Bank
Luxembourg



Condensed interim report

according to IFRS

as at 30 June 2016

Summary of key data

Business performance	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change (in EUR million)	Change (in %)
Loans and advances to banks	1,430.0	1,510.0	-80.0	-5
Loans and advances to customers	7,596.9	6,768.8	828.1	12
Risk provisions	-21.5	-39.9	18.4	-46
Financial investments	5,492.8	5,846.2	-353.5	-6
Other assets	1,716.6	1,746.6	-30.0	-2
Total assets	**16,214.8**	**15,831.8**	**383.0**	**2**
Liabilities to banks	7,219.9	7,626.4	-406.4	-5
Liabilities to customers	3,115.4	3,221.4	-106.0	-3
Securitised liabilities	3,400.5	3,114.2	286.3	9
Other liabilities	1,733.3	1,169.5	563.9	48
Reported equity	745.6	700.3	45.3	6
Total liabilities	**16,214.8**	**15,831.8**	**383.0**	**2**

Earnings performance	First half of 2016 (EUR thousands)	First half of 2015 (EUR thousands)	Change (EUR thousands)	Change (in %)
Net interest income	45,033	44,053	980	2
Net commission income *)	-12,244	-12,907	663	-5
Earnings from financial investments	5,415	2,781	2,635	95
Other earnings	-2,752	12,111	-14,863	< -100
Earnings before costs	**35,452**	**46,037**	**-10,585**	**-23**
Administrative expenses	-18,450	-21,328	2,878	-13
Earnings from valuation changes and risk provisions	18,623	545	18,077	> 100
Taxes	-10,200	-2,537	-7,662	> 100
Earnings after taxes	**25,424**	**22,717**	**2,708**	**12**

*) Includes commission expenses from margin sharing

Key performance indicators	First half of 2016	First half of 2015	Change	Change (in %)
Cost/income ratio in % **)	39.2%	43.7%	-4.5%	-10
RoRaC in % ***)	18.2%	10.9%	7.3%	67

**) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components.

***) The RoRAC is the ratio of earnings before taxes to the maximum value of the limit for committed capital or committed capital.

Key regulatory indicators	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change (in EUR million)	Change (in %)
Risk-weighted asset values	4,281.4	4,139.6	141.8	3
Core capital	624.5	629.5	-5.0	-1
Equity	651.8	674.8	-23.0	-3
Core capital ratio	14.6 %	15.2 %	-0.6 %	-4
Overall coefficient	15.2 %	16.3 %	-1.1 %	-7

Workforce	30.06.2016	31.12.2015	Change	Change (in %)
Number of employees ****)	179.3	174.6	4.7	3

****) Headcount (FTE) on permanent contracts

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Interim management report

NORD/LB Luxembourg S.A. Covered Bond Bank

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

The purpose of NORD/LB CBB is to conduct all transactions which are legally authorised for mortgage-lending institutions under the law of the Grand Duchy of Luxembourg. Further business segments include Financial Markets & Sales, Loans and Client Services/B2B.

NORD/LB CBB holds 100 per cent of the shares in Galimondo S.à r.l., Luxembourg. Galimondo S.à r.l. was established on 5 September 2014 as a company with limited liability under Luxembourg law. The purpose of this company is to provide and coordinate services that are needed to produce and maintain the functionality of buildings and facilities, including their infrastructures (facility management). Due to its minor importance, Galimondo S.à r.l. is not included in this interim report of the Bank under commercial German law as at 30 June 2016.

For the purposes of comparability with 31 December 2015, this condensed interim report of NORD/LB CBB as at 30 June 2016 refers to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2015, which was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

The comparison figures of the income statement are based on NORD/LB CBB's published and unaudited consolidated figures for the period 1 January 2015 to 30 June 2015 in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

International economic developments

Economic developments

In the first half of the year, global economic growth remained moderate, as was the case in the two previous years. In the US, the growth rate has been only weak to moderate in the last three quarters. Gross domestic product adjusted for prices and seasonal effects increased just 1.2 per cent from the previous quarter on an annualised basis according to the first early-year estimate. In the second quarter, economic growth in the eurozone dropped by half to 0.3 per cent as compared with the previous quarter after special effects contributed to a dynamic start to 2016. China's economy expanded in the first two quarters at a respective annual rate of 6.7 per cent, and has therefore continued on its moderate growth path.

Economic growth in the eurozone returned to normal after the accelerated start to the year in the spring. Real gross domestic product grew in the second quarter by 0.3 per cent as compared to the previous quarter. The annual rate is currently 1.6 per cent. The relatively moderate expansion in the second quarter is not a sign of a potential economic slowdown, however, because growth was overstated in the first three months of the year as a result of one-off and special effects. For example, the mild winter in Germany resulted in the recovery that is usually not seen until spring – particularly in the construction sector – being brought forward to the first quarter. Consequently, the boost was missing in the spring quarter and instead a normalisation took place in the second quarter. There were markedly different trends in individual countries, according to the data available to date. In France, the upturn paused for a rest after three good quarters. The strikes in May and June probably had a dampening effect here too. In Austria, economic output stagnated, while Spain (+ 0.7 per cent) and Belgium (+ 0.5 per cent) posted strong growth rates compared with the previous quarter.

After an impressive start to 2016, growth in Germany became much weaker in the spring. Following the distortion of the trend in the first quarter caused by the mild winter, there was a correction of these special effects. A counter-movement arose in the spring, especially in construction work. Manufacturing also shifted down a gear in the second quarter. Producers of capital goods drastically scaled back production. In the manufacturing sector the negative signs therefore dominated in the spring. The signals for private consumption were mixed: a slight fall in retail sales was offset by a marked increase in new car registrations. On balance, the second quarter registered moderate economic growth of 0.2 per cent on the previous period. Labour market data pointed to an intact dynamic employment trend. During the reporting month of July, seasonally adjusted unemployment fell again, while employment and occupations subject to social security payments continued to grow. Demand for labour also increased once again. Thus, there is no evidence yet of any hiring reluctance by businesses in the wake of the UK's Brexit vote.

In the first half of 2016, the yield on German government bonds was marked by increasing risk aversion among financial market players. A flight to safe-haven assets was observed even in the run-up to the generally unexpected outcome of the UK's referendum on EU membership held on 23 June. This mainly benefited German Bund securities. The yield on 10-year Bunds initially held up at between 0.1 and 0.3 per cent, but then dropped below zero in mid-June for the first time ever, even falling below -0.1 per cent by the end of the month. Central bank actions continued to influence markets. The US Treasury remained cautious and refrained from further monetary tightening in an uncertain environment. The European Central Bank (ECB) even raised the level of expansiveness of its monetary policy one more notch. Besides cutting the deposit rate to -0.4 per cent and its main refinancing operations rate to 0.0 per cent, further changes in the ECB bond buying programme (EAPP) were agreed, including stepping up monthly purchases to EUR 80 billion and extending purchasing to the corporates asset class. A new series of targeted longer-term refinancing operations (TLTRO II) was also decided and a first transaction was allocated in June. The Brexit vote has also raised the probability that several central banks could loosen their monetary policy further. Interest rates are therefore being kept at their low levels, as in the previous year. The US dollar initially benefited from the Brexit vote, while the euro temporarily slipped against the US dollar to below USD 1.10. EUR/USD cross-currency basis swap spreads mostly moved sideways in the second quarter. In middle and longer maturity bands, they hovered around the -45 basis point mark, at the short end of the curve they were initially near -35 basis points, and after the Brexit vote in the UK on 23 June they were at -40 basis points. The response to the outcome of the referendum, unexpected by many market participants, was therefore much more muted than in other financial market segments.

Covered bond markets and Lettres de Gage Publiques

The first six months of the current year proved to be a very positive environment for covered bond issues. With a benchmark volume of over EUR 91 billion, the banks' issuing activity was higher than it had been since the first half of 2011.

The favourable environment was driven by the ECB's bond buying programme and investors' hunt for pick-up. Owing to the public-sector purchase programme, sovereigns sometimes traded at a much more restricted volume than covered bonds in the first half, thereby providing investors with, in some cases, marked pick-up in covered bonds, resulting in high demand on the primary market.

The highest issue volume was from France, followed by Germany and Spain. Overall these three countries accounted for almost 47 per cent of the issued volume. As in the previous year, Canada was the main country outside the eurozone. Around 48 per cent of total primary market activities took place in the core eurozone area, roughly on par with the historical average.

In the first six months of this year, the first institutions from Singapore and Turkey issued euro-denominated benchmark issues, thus expanding the number of jurisdictions from which covered bonds are issued.

The trend towards longer maturities continued, with almost half of the issues having an initial term of 5–7 years, significantly above the historical average. The trend towards a fall in the share of underlying covered bonds with public coverage is also intact.

Although banks are still the most active investors in covered bonds, their share as compared to previous years. This is due to the significant increase in importance of central banks, which are now the second most significant group of investors. In third position are asset managers and funds. In terms of investor origin, German investors still play the most important role.

On 29 September 2015, the European Commission published the long-awaited consultation paper on the harmonisation of the European covered bond markets. This initiative dates back to the EU's green paper on the capital market union presented back in February 2015. During the consultation phase, comprehensive comments were submitted by many interested market players. The EU Commission is presently evaluating this very extensive feedback.

Luxembourg's interests are represented by the Luxembourg Bankers' Association (ABBL) in close cooperation with the Lettres de Gage issuers. The ABBL and the issuers it represents fundamentally support the attempts to achieve harmonisation in respect of e.g. transparency, cover pool trustees' rights and the handling of cover pools in the event of issuer insolvency. However, the ABBL is of the opinion that the previously applicable risk profile must be kept unchanged with respect to the assets used in the cover.

Forecasts and other statements on expected developments

Global economic outlook

After only modest expansion in the first half of 2016, the US economy will post slightly more dynamic growth for the rest of the year and is headed towards a growth rate of about 1.7 per cent. This growth should be sufficient for a continuation of the positive trend in the US labour market. The Chinese economy is still in a phase of reconstructing its growth model. Thus, economic growth should be slightly lower again than in the previous year in spite of stable performance in the first two quarters. Despite the damage from the Brexit vote, the eurozone is set to continue its recovery in the second half and grow by a good 1.5 per cent over the full year. Only a slight temporary dampening of the single currency area may be expected as a result of the Brexit decision. However, inflation will remain extremely low in 2016 once again and will still be significantly below the ECB's inflation target of just under 2 per cent in 2017.

Economic forecast for Germany and the eurozone

The economic risks for Germany and the eurozone have undoubtedly increased since the British voted to withdraw from the EU. It is, however, difficult to assess whether there will be an actual measurable dampening in economic activity in 2016/17, and, if so, to what extent. We are expecting a moderate impact. Although the fog of uncertainty caused by the Brexit vote has not yet dissipated, the first findings concerning business and consumer confidence in the eurozone are encouraging. The Economic Sentiment Indicator even rose marginally in July. The findings of the Markit purchasing managers' indices for services and industry and key national sentiment indicators were similarly stable. Only the financial market experts surveyed monthly by sentix and the ZEW were significantly more pessimistic in July. Although it is too early to sound the all-clear, it appears that Brexit is an economic shock only for the British, while the impact on the rest of European is at most slight. The basic trend in Germany and in the eurozone is still upwards due to solid domestic demand. NORD/LB expects the German economy to expand by at least 1.6 per cent this year, a GDP growth rate similar to the previous year.

The European Central Bank's monetary policy remains expansionary. In the second half of the year it is even expected to loosen policy further in response to the Brexit vote by the British. Fiscal policy is no longer restrictive throughout the entire currency area, but the need for consolidation is still very high, especially in southern Europe. And there are still significant risks in the form of a stronger economic slowdown in China, geopolitical conflicts and the threat of global terrorism. The political conflicts within the EU (refugee issue, separatism, stronger right-wing populist parties) could also endanger the EU's cohesion or at least its scope for making policy. As before, the question of how events will unfold in Greece is an ongoing uncertainty.

Financial market performance and interest rate forecasts

The Fed is not currently expected to take monetary policy action. The Brexit vote gives US central bankers good reasons to defer the pending rate hike to 2017. The FOMC's most recent statement has apparently led some market participants to speculate again somewhat more strongly on an increase in the Fed Funds Target Rate before the end of 2016. However, only the absence of a major Brexit turmoil makes a December rate hike at all possible. A more likely scenario is that the Fed will wait until next year.

In the eurozone, the signs following the Brexit vote are again rather for additional monetary loosening by the ECB. The ECB's rather optimistic economic and inflation forecasts in June are certainly obsolete. In September, the ECB will unveil its new projections. They can then also include the actions of the Bank of England to dampen the consequences of Brexit into their own calculations. ECB President Mario Draghi has repeatedly stated that the ECB is ready, willing and able to use all available tools as required. We anticipate further easing and expect appropriate steps to be taken as early as September, the scope of which will depend on the data. For us the most likely outcome is a combination of a slight reduction in the deposit rate and an extension of the purchase programme to March 2017. At the end of the year, we are likely to see a change in the EAPP conditions to increase flexibility.

Against the background of significantly higher uncertainty, yields on European government bonds have become set at a very low, and in some cases negative, level. The prospect of a more prolonged period of interest rates at the current or even lower levels and continuing uncertainty over the economic consequences of Brexit will keep demand for safe investments high for the time being. German Bunds are likely to test their recent yield lows once again, given further monetary easing by the ECB. Money market rates should also tend slightly lower. In the case of capital market yields, a slight counter-movement may be expected, but not until inflation moves further away from zero, i.e. not before the turn of the year. However, for Bunds with a 10-year residual maturity, NORD/LB is not anticipating sustained positive yields until the end of 2016 at the earliest.

The trend towards a different direction of monetary policy on either side of the Atlantic will tend to give another slight boost to the greenback. However, NORD/LB is anticipating a counter-movement in the medium term, especially in the case of an apparent stabilisation of the upturn in the eurozone. Over 12 months, the USD is expect to return to USD 1.12/EUR. Volatility will, however, remain high this year. As regards EUR/USD basis swap spreads, we expect continued sideways movement near the last level reached in the short to medium term. Our econometric forecasting models indicate that the maturity curve should remain very flat.

Performance in the business segments

Financial Markets & Sales

The core activities of Financial Markets & Sales at NORD/LB CBB are sales, funding and bank management. Expanding sales is a special focus and is also the reason employees from Investor & Public Relations have been moved to this division.

Long-Term Funding

Long-Term Funding encompasses the management of the collateral pools of NORD/LB CBB, the issuing of Covered bonds and the long-term uncovered raising of liquidity on behalf of NORD/LB CBB. For its issues in this area, NORD/LB CBB uses both an EMTN programme and standardised individual documentation such as registered Covered bonds or promissory notes.

Here, issuing activities include both the issue of Covered bonds in benchmark volumes and customised private placements.

The focus of the issuing activities, which use various currencies customary on the different markets, lies on trading in Lettres de Gage, especially for the medium and long terms, with uncovered issues in the short- and medium-term segment.

Pfandbrief activities, as a supplemental component of the funding for NORD/LB, are further reinforced from Luxembourg, providing a valuable contribution to refinancing the core activities of the NORD/LB Group. In addition to this, the investor base is being expanded.

Long-Term Funding is the point of contact for the ratings agencies in the context of methodology discussions and changes. It represents the Bank in key national and international committees and working groups in the area of Covered bonds.

ALM/Treasury

Within the Financial Markets & Sales department, ALM/Treasury is responsible for centralised management of all liquidity, interest and currency risks and acts within these core competencies as a provider of services and solutions for NORD/LB CBB. Its other duties include securities portfolio administration, funds transfer pricing and balance sheet structure management.

As an integral part of the funding activities of the NORD/LB Group, ALM/Treasury is represented in the relevant Group committees and is involved in Group-wide harmonisation processes. ALM/Treasury can tap broadly diversified refinancing sources and has a high degree of flexibility in currencies and maturities, thus making a complementary contribution to the refinancing of the NORD/LB Group, such as through the growth of the network in Switzerland, including access to open market transactions of the Swiss National Bank (the SNB).

By actively managing customer flows within the market price risk limits set by the Managing Board, ALM/Treasury makes a further contribution to income in bank book management. Here, derivative products (OTC and exchange-traded) are used in addition to traditional balance sheet products.

In the context of balance sheet management, ALM/Treasury supports the strategic approach and further development of NORD/LB CBB by evaluating internal limitations and regulatory requirements. In this regard, ALM/Treasury is responsible for duties such as long-term compliance and cost-optimised monitoring of regulatory indicators (such as LCR).

Fixed Income/Structured Product Sales

The Fixed Income/Structured Product Sales Europe group is responsible for the Europe-wide marketing of the NORD/LB fixed-income product range, providing services to institutional customers such as asset managers, central banks, the supra sovereign agency sector (SSA) and banks in non-German-speaking parts of Europe. Standardised and structured financial products are sold in close cooperation with the Group.

The objective in the standardised product segment ("flow products") is to support primary market activities and increase the turnover rate of the Group's trading book. The main flow products include Covered bonds and covered bonds from other jurisdictions, loans for sovereigns, supranationals and agencies (SSAs) and issues from German states.

Another intention of the Group is to geographically diversify refinancing sources by attracting European investors via NORD/LB CBB.

Structured credit products ("non-flow products") are being developed on the basis of the business activities of the Group's different market units. The goal is to actively use customer relationships in NORD/LB's credit areas to meet customer demand for alternative investments.

The Group does not take on certain specific risks.

Performance in Financial Markets & Sales

Economic conditions remained challenging in the first quarter of 2016. Following the restructuring, the Financial Markets & Sales segment now comprises almost the entire direct business. Due to the ECB's low interest rate policy, yield curves persisted at an extremely flat level, weighing on earnings once again. In the current interest rate environment, the significant earnings components within Financial Markets & Sales are centred less on transformation gains and more on gains on financial investments and financial instruments at fair value.

Financial Markets & Sales met the challenges through active interest management. In respect of the securities portfolios used for liquidity management this also resulted in a significant improvement in the revaluation reserve.

Besides the above-mentioned income from securities, the income from the direct lending business also contribute to this earnings component.

Fixed Income/Structured Products Sales Europe significantly boosted its business activities once again.

NORD/LB's new issue activities focused in the first half 2016 on a EUR 500 million, euro-denominated, 7-year Lettres de Gage benchmark transaction and private placements in the amount of EUR 75 million with terms of up to 21 years. Based on a very granular order book with more than 50 investors, NORD/LB CBB placed its benchmark bond primarily with banks (46 per cent) and fund/asset managers (42 per cent). Accounting for 58 per cent of the total, German investors were again the largest group of customers, but the high number of orders from the rest of Europe (42 per cent) is also notable.

The high-quality, well-diversified cover pool appealed to investors once more. NORD/LB CBB's euro-benchmark bonds also qualify as liquid assets within LCR management (Level 1B classification). The private placements were purchased from insurers and pension funds.

As at reporting date 30 June 2016, the cover pool exceeded the volume of issued public Covered bonds by EUR 881.7 million (24.6 per cent) in nominal terms, or EUR 975.5 million (25.0 per cent) in present value terms, exceeding the statutory coverage of 2.0 per cent significantly. As at 30 June 2016, around 17.3 per cent of all assets in the cover pool had the top AAA rating.

Loans

The Bank's lending business comprises mainly "allied lending business with other Group units". The Bank also conducts lending business in cooperation with NORD/LB Vermögensmanagement S.A. and savings banks. The last two business lines are more of a niche product, and the lending business guaranteed by savings banks is being wound down.

The allied lending business accounts for the main share of the credit portfolio. In terms of products, the Bank focuses on variable-interest loans and short-term fixed-rate loans in different currencies. In addition to bilateral credit lines, the Bank also enters into complex consortium financing arrangements, taking on facility agent functions. The personnel and technical infrastructures of NORD/LB CBB are geared towards these loan types.

Factoring and export financing

Supplementing the traditional lending business, the Bank also specialises in factoring (single and pool purchases). NORD/LB's factoring business should be viewed as a customised customer solution. Within the NORD/LB Group, this business is mainly serviced by NORD/LB CBB. This business line has now become a key component of NORD/LBB CBB's lending business, which is also conducted in close cooperation with the Group. Besides factoring, the Bank also supports the Group in foreign business with individual transactions.

Performance in Loans

The allied lending business is focused on collaborating with partners from NORD/LB's Corporate Customers and Structured Finance departments. New business was very buoyant and resulted in considerable growth of the loan portfolio.

Business with undertakings under public law is very important for the Bank. These loans serve as a cover pool for issuing Lettres de Gage. Covered refinancing allows the Bank to offer competitive conditions.

The upward trend in allied lending business volume is also reflected in a stable contribution to interest terms, despite sustained pressure on margins in the loan segment. Lending business guaranteed by savings banks is not very significant in the loan portfolio in terms of volume or income. Demand from customers is also currently low.

Client Services/B2B

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

Outlook

The fact that the monetary policies in the two large economic zones of the US and Europe are heading in completely different directions seems to be the main influencing factor in 2016. Despite a lack of momentum in the global economy, the European Central Bank is sticking to its accommodative monetary policy. In 2016, the Fed, one of the largest central banks, will tighten its monetary policy for the first time in years. After a multi-year downslide, raw materials prices may also finally bottom out.

NORD/LB CBB will continue its mission of generating additional covered refinancing for the core activities of the NORD/LB Group by issuing Covered bonds under Luxembourg law. In 2016, NORD/LB CBB will also continue to carry out a number of issues in the form of private placements and in benchmark volumes. The sales force will push placements from the new “Corporate debentures” product segment with European investors.

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

In addition to this, the Client Services & B2B segment will be more closely focused on Group interests.

NORD/LB CBB ratings

In the first half of 2016, NORD/LB CBB’s ratings were confirmed as follows:

	Fitch Ratings	Standard & Poor's
NORD/LB Luxembourg Covered Bond Bank		
Long-term/outlook/short-term	A- / stable / F1	BBB / negativ / A-2
Lettres de Gage publiques/outlook	AAA / stabil	AA- / stabil

NORD/LB CBB’s cover pool received very good ratings from Fitch Ratings and Standard & Poor’s.

On 21 January 2016, ratings agency Standard & Poor’s confirmed the Lettres de Gage publiques rating with an “AA-” and a stable outlook. In early 2015, Standard & Poor’s changed its rating criteria for bank ratings to reflect support from the public sector and additional loss absorbing capacity. As a result, the credit rating of counterparties in derivatives transactions in the cover pool was adjusted. Based on Standard & Poor’s “Counterparty Risk Framework, Methodology and Assumptions” criteria, the issuer rating was downgraded by Standard & Poor’s from “AA+/outlook negative” to “AA-/stable outlook” on 1 October 2015. The rating downgrade was not due to a changed assessment of the cover pool. The quality of the cover assets in the cover pool remains high.

The rating agency Standard & Poor’s left the long-term senior unsecured rating of NORD/LB CBB at “BBB/outlook negative”. The short-term senior unsecured rating remains unchanged at A-2.

On 12 February 2016, Fitch Ratings confirmed the issuer rating for Lettres de Gage publiques at “AAA” with a stable outlook.

On 12 May 2016 Fitch Ratings confirmed both the long-term issuer default rating (IDR) at “A-” with a stable outlook and the short-term issuer default rating at “F1”.

Earnings

The interim financial statements of NORD/LB CBB dated 30 June 2016 were drawn up in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU. The comparison figures of the income statement are based on NORD/LB CBB's published and unaudited figures for the period 1 January 2015 to 30 June 2015, which were prepared and presented in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

The following tables may contain computational rounding differences.

The components of the income statement over the reporting period developed as follows:

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Net interest income	45,033	44,053	980
Loan loss provisions	1,924	-2,242	4,166
Net commission expenses/income	-12,244	-12,907	663
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	16,698	2,787	13,911
Other operating profit/loss	-2,752	12,111	-14,863
Administrative expenses	-18,450	-21,328	2,878
Earnings from financial investments	5,415	2,781	2,635
Earnings before taxes	**35,624**	**25,254**	**10,370**
Income taxes	-10,200	-2,537	-7,662
Net profit or loss	**25,424**	**22,717**	**2,708**

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

The breakdown of earnings components is as follows:

Net interest income

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Interest income	257,950	312,128	-54,178
Interest expenses	-212,917	-268,075	55,158
Net interest income	**45,033**	**44,053**	**980**

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

Net interest income was almost unchanged versus the same period in the previous year.

Although interest income from credit and money market transactions rose from EUR 35,724 thousands to EUR 40,568 thousands, interest income from the securities business fell from EUR 81,004 thousands to EUR 72,076 thousands. The other main items arose from hedge derivatives (EUR -52,876 thousands, previous year: EUR -52,149 thousands) and interest expenses from securitised liabilities (EUR -14,478 thousands, previous year: EUR -20,373 thousands).

Loan loss provisions

Changes in the **loan loss provisions** resulted in income of EUR 1,924 thousands (previous year: expense of EUR -2,242 thousands). Releases in the reporting period resulted mainly in a net reduction of specific valuation allowances on receivables (EUR 2,190 thousands).

In the previous year, the negative earnings contribution was largely due to an allocation to specific valuation allowances on receivables.

Net commission income

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Commission income	11,146	7,494	3,651
Commission expenses	-23,390	-20,402	-2,989
Net commission income	**-12,244**	**-12,907**	**663**

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

Net commission income improved year on year by EUR 663 thousands to EUR -12,244 thousands.

Commission income was generated principally in lending business and financial guarantees (EUR 7,363 thousands, previous year: EUR 4,711 thousands) and the securities and custody business (EUR 3,391 thousands, previous year: EUR 2,487 thousands). Other commission income (EUR 392 thousands, previous year: EUR 296 thousands) arose mainly from account management and services.
Commission expenses arose principally in the areas of brokerage (EUR -12,363 thousands, previous year: EUR -10,178 thousands), lending business and financial guarantees (EUR -10,422 thousands, previous year: EUR -9,450 thousands) and other commission expenses (EUR -606 thousands, previous year: EUR -773 thousands).
Expenses from the brokerage business rose as a result of the increase in volumes of arranged loans.

Profit/loss from financial instruments at fair value through profit or loss and hedge accounting

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Trading profit/loss	-11,877	784	-12,660
Earnings from the fair value option	25,536	-2,900	28,436
Earnings from hedge accounting	3,039	4,904	-1,864
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	**16,698**	**2,787**	**13,911**

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

Profit/loss from financial instruments at fair value through profit or loss including hedge accounting (EUR 16,698 thousands, previous year: EUR 2,787 thousands) shows the trading profit/loss proper and the income from financial instruments voluntarily designated under the fair-value option. The trading profit/loss (EUR -11,877 thousands, previous year: EUR 784 thousands) was produced from futures and interest rate derivatives in hedging relationships with securities and own issues in the dFV category, which are also recognised under earnings from the fair value option (EUR 25,536 thousands, previous year: EUR -2,900 thousands). The effects from own credit risk on issues in the dFV category amounted to EUR -1,189 thousands in the reporting year (previous year: EUR 0 thousands). Due to economic hedges, changes arose from AfS securities against hedging derivatives which do not satisfy the restrictive requirements of hedge accounting.

The changes in the **earnings from hedge accounting** (EUR 3,039 thousands; previous year: EUR 4,904 thousands) are the result of market interest fluctuations and OIS and CVA/DVA effects.

Other operating profit/loss

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Other operating income	1,024	14,285	-13,262
Other operating expenses	-3,775	-2,174	-1,601
Other operating profit/loss	**-2,752**	**12,111**	**-14,863**

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

Other operating profit/loss fell by EUR 14,863 thousands to EUR -2,752 thousands.

Other operating income (EUR 1,024 thousands, previous year: EUR 14,285 thousands) comprises mainly income from cost allocation and rental income. The previous year's result was mainly impacted by the result of the merger of the two predecessor banks to become NORD/LB CBB (EUR 12,906 thousands).

Other operating expenses (EUR -3,775 thousands, previous year: EUR -2,174 thousands) comprise cost allocation with the NORD/LB Group (EUR -1,480 thousands, previous year: EUR -1,853 thousands) and the bank levy which last year was not due until the second half of the year (EUR -2,148 thousands, previous year: EUR 0 thousands).

Administrative expenses

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Personnel expenses	**-10,123**	**-10,875**	**752**
Wages and salaries	-8,582	-9,473	890
Other personnel expenses	-1,541	-1,403	-138
Other administrative expenses	**-6,863**	**-8,530**	**1,667**
Depreciation and value adjustments	**-1,464**	**-1,923**	**459**
Administrative expenses	**-18,450**	**-21,328**	**2,878**

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

Administrative expenses were EUR 2,878 thousands lower than in the previous year.

The costs of both predecessor banks and additional costs from the merger were still included for five months in the previous year's result.

The targeted cost reductions have been realised in 2016 to date.

Earnings from financial investments

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Earnings from financial investments in the LaR category including portfolio value adjustments	727	-1,350	2,077
Earnings from financial investments in the AfS category (without equity holdings)	4,688	4,131	557
Earnings from financial investments	**5,415**	**2,781**	**2,635**

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

Earnings from financial investments are composed of income from financial investments in the loans and receivables category (LaR) (EUR 727 thousands; previous year: EUR -1,350 thousands) and income from financial investments in the AfS category (EUR 4,688 thousands; previous year: EUR 4,131 thousands).

The earnings from financial investments in the LaR category was due largely to a write-up of an impaired security and the release of general provisions. The earnings from financial investments in the AfS category was due almost completely to the impact of the write-up of an impaired security.

The previous year's earnings from financial investments in the LaR and AfS categories were impacted largely by individual sales of securities as part of portfolio management.

Income taxes

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change*) (EUR thousands)
Current taxes	-10,200	-2,498	-7,702
Deferred taxes	0	-39	39
Income taxes	**-10,200**	**-2,537**	**-7,662**

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

Income taxes are calculated based on the statutory tax rate applicable for the reporting period.

Income taxes rose by EUR -7,662 thousands on the previous year. The low tax expense of the previous year was due to tax-free earnings effects from the merger of the two predecessor banks to become NORD/LB CBB.

Net assets and financial position

For the purposes of comparability with 31 December 2015, these condensed interim financial statements of NORD/LB CBB as at 30 June 2016 refer to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2015, which was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change (in EUR million)
Loans and advances to banks	1,430.0	1,510.0	-80.0
Loans and advances to customers	7,596.9	6,768.8	828.1
Risk provisions	-21.5	-39.9	18.4
Financial assets at fair value through profit or loss	1,201.7	1,287.0	-85.3
Financial investments	5,492.8	5,846.2	-353.5
Other assets	515.0	459.7	55.3
Total assets	**16,214.8**	**15,831.8**	**383.0**
Liabilities to banks	7,219.9	7,626.4	-406.4
Liabilities to customers	3,115.4	3,221.4	-106.0
Securitised liabilities	3,400.5	3,114.2	286.3
Financial liabilities at fair value through profit or loss	723.9	204.6	519.3
Provisions	21.6	22.0	-0.3
Other liabilities	987.8	942.9	44.9
Reported equity	745.6	700.3	45.3
Total liabilities	**16,214.8**	**15,831.8**	**383.0**

Total assets rose from EUR 15,831.8 million as at 31 December 2015 to EUR 16,214.8 million, an increase of EUR 383.0 million.

Loans and advances to banks were EUR 80.0 million lower compared with 31 December 2015.

In line with the Bank's strategy**, loans and advances to customers** posted a positive result once again, increasing by EUR 828.1 million to EUR 7,596.9 million. This expansion was due to higher credit volumes to corporate customers and project financing.

The Bank's **risk provisions** were reduced by EUR 18.4 million to EUR 21.5 million (previous year: EUR 39.9 million). The fall was almost entirely due to a partial release and utilisation from the disposal of an exposure in the services sector.

Assets at fair value through profit and loss contracted by EUR 85.3 million. The main reason for this fall was market fluctuations in the value of securities measured at fair value.

Financial investments also fell, by EUR 353.5 million to EUR 5,492.8 million. The principle cause for this was switches within the portfolio and the targeted winding-down of risk positions. Holdings of securities in the LaR category decreased (EUR 2,614.5 million, previous year: EUR 2,706.5 million), along with securities in the AfS category (EUR 2,878.3 million, previous year: EUR 3,139.7 million).

Other assets rose by EUR 55.3 million to EUR 515.0 million, primarily as a result of the change in the active hedging derivatives included.

Liabilities to banks dropped by EUR 406.4 million to EUR 7,219.9 million due to the reduction in deposits of other banks.

Liabilities to customers decreased from EUR 3,221.4 million to EUR 3,115.4 million, a fall of EUR 106.0 million. While issues of Lettres de Gage expanded by EUR 193.3 million, money market transactions fell by EUR 249.0 million.

Securitised liabilities increased by EUR 286.3 million as compared to the end of the previous year. The significant rise was largely the result of the successfully placed issues in the nominal amount of EUR 300 million in the second quarter of 2016.

Liabilities at fair value through profit and loss expanded by EUR 519.3 million to EUR 723.9 million (previous year: EUR 204.6 million). The jump was primarily due to the successful placement of a benchmark issue designated at fair value with a nominal value of EUR 500 million in June of this year.

Other liabilities totalled EUR 987.8 million, corresponding to an increase of EUR 44.9 million. The main items here are fair values from hedge accounting derivatives (EUR 876.3 million, previous year: EUR 791.8 million) and subordinated capital (EUR 58.5 million, previous year: EUR 114.9 million). The fall in subordinated capital was almost completely due to a maturity in June 2016.

The Bank's **shareholders' equity** stood at EUR 745.6 million as at 30 June 2016 (previous year: EUR 700.3 million). NORD/LB CBB does not have any branches, nor does it have any of its own shares in its portfolio.

Risik report

The NORD/LB CBB risk report for 30 June 2016 was prepared in accordance with IFRS 7.

The Bank does not accept significant risks from derivatives with complex structures.

NORD/LB CBB's risk management and the corresponding structural and process organisation, the procedures implemented and methods of risk measurement and monitoring were presented in detail in NORD/LB CBB's annual report as at 31 December 2015. These condensed interim financial statements therefore only describe significant developments in the reporting period.

Risk management

The first half of 2016 was dominated by the ongoing implementation of the additional requirements under the European SREP guidelines1. Besides making substantive changes for this, the Bank is also carrying out relevant structural and organisational changes. This was reflected in the creation of the central administrative office for managing SREP. Regulatory and internal risk reporting as well as strategy and planning processes were also integrated into an organisational unit, so as to ensure the necessary meshing.

Adequate risk data aggregation is another focus of the integrated management approach. To comply with the requirements relating to this area, the Bank is currently redesigning the data warehouse. In addition, as part of a multi-year project, the principles for effective aggregation of risk data and risk reporting in accordance with BCBS 239 are being implemented in close cooperation with the NORD/LB Group.

Risk-bearing capacity in the first half of 2016

There were no significant changes in the Bank's risk-bearing capacity in the first half of 2016. The utilisation rate in the going-concern scenario relevant for management purposes was significantly below the internal maximum value of 80 per cent at all times. The regulatory requirements on capital ratios were clearly met at all times, even taking into account the increased buffer requirements from the SREP process.

The table below shows the utilisation of risk capital in the going-concern scenario for NORD/LB CBB as at 30 June 2016 and as at 31 December 2015:

Risk-bearing capacity				
in EUR million	30.06.2016		31.12.2015	
Risk capital	**275**	**100%**	**287**	**100%**
Credit risk	40	15%	40	14%
Investment risk	0	0%	0	0%
Market price risk	40	14%	31	11%
Liquidity risk	12	4%	11	4%
Operational risk	5	2%	3	1%
Total risk potential	**97**		**86**	
Utilisation		**35%**		**30%**

[1] "Guidelines for common procedures and methodologies for the SREP (supervisory review and evaluation process)"

The utilisation rate rose by 5 percentage points in the first half due to the slightly higher risk potential and lower risk capital. The risk potential, was mainly impacted by new loan business. The marginal decrease in risk capital is largely attributable to residual term effects in the supplementary capital.

For the rest of the year, the Bank is forecasting a gradual increase in the utilisation rate, but still well within the maximum target utilisation of 80 per cent.

Credit risk

The maximum default risk exposure for on- and off-balance-sheet financial instruments amounted to EUR 18.0 billion as at the reporting date, increasing slightly by 4.2 per cent on 31 December 2015 primarily because of new lending business.

Risk-bearing financial instruments	**Maximum default risk exposure**	
in EUR milion	30.06.2016	31.12.2015
Loans and advances to banks	1,430.0	1,510.0
Loans and advances to customers	7,596.9	6,768.8
Financial assets at fair value through profit or loss	1,201.7	1,287.0
Positive fair values from hedge accounting	395.7	290.4
Financial assets	5,492.8	5,846.2
Subtotal	**16,117.1**	**15,702.4**
Warranties for third-party accounts	141.7	160.0
Credit commitments not yet disbursed	1,724.0	1,401.9
Total	**17,982.7**	**17,264.3**

In contrast to the following tables on total exposure, which are based on internal data provided to management, the maximum default risk exposure in the table above is reported at carrying amounts.

The variations between the total exposure in accordance with internal reporting and the maximum amount of default risk exposure are due to differences in areas of application, the definition of total exposure for internal purposes, and differences in accounting policies.

The calculation of credit exposure is based on utilisation (in the case of guarantees the notional value and in the case of securities the carrying amount) and the credit equivalents resulting from derivatives (including add-ons and taking account of netting). Irrevocable and revocable credit commitments are each included at 44.9 per cent in the calculation of credit exposure, whereas collateral is not taken into account.

Analysis of credit exposure

Credit exposure as at 30 June 2016 totalled EUR 18.1 billion. The slight increase on 31 December 2015 is primarily due to new lending business.

NORD/LB CBB uses the standard IFD rating scale to classify credit exposure according to rating. This scale, which has been agreed by the banks, savings banks and associations that belong to the “Germany as a financial centre” initiative (Initiative Finanzstandort Deutschland – IFD), aims to improve the comparability between rating categories of the individual financial institutions. The rating classes of the 18-level DSGV rating master scale used uniformly throughout NORD/LB CBB are directly aligned to the IFD categories.

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

Rating structure [1) 2)]	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
in EUR million	30.06.2016				**30.06.2016**	**31.12.2015**
very good to good	8,357.2	6,045.9	208.8	0.0	**14,612.0**	**14,545.8**
good / satisfactory	1,138.9	535.2	0.1	0.0	**1,674.3**	**1,570.7**
acceptable / adequate	452.4	16.4	0.0	0.0	**468.8**	**469.2**
increased risk	793.5	316.2	0.0	0.0	**1,109.7**	**972.3**
high risk	47.0	0.0	0.0	0.0	**47.0**	**15.2**
very high risk	56.6	9.5	0.0	0.0	**66.0**	**54.4**
Default (=NPL)	93.4	21.6	0.0	0.0	**115.0**	**124.1**
Total	**10,939.2**	**6,944.8**	**208.9**	**0.0**	**18,092.9**	**17,751.8**

1) Allocation according to IFD rating class.

2) Differences in totals are rounding differences.

3) Includes loans taken up, loan commitments, sureties, guarantees and other non-derivative off-balance-sheet assets, whereby 44.9% of the irrevocable and revocable credit commitments are included, as in the internal reporting.

4) Includes the securities holdings of third-party issues (only banking book).

5) Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.

6) Includes other products such as transmitted and administrative loans.

Most of the total exposure (80.8 per cent) is rated as "very good to good". The ongoing high percentage of the total exposure in this best rating class is due to the significant importance of the business with financial institutions and public authorities.

The total credit exposure by sector breaks down as follows:

Sectors [1) 2)]	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
in EUR million	30.06.2016				**30.06.2016**	**31.12.2015**
Financing institutions / insurance companies	3,736.8	3,474.5	202.5	0.0	**7,413.9**	**7,782.5**
Services / other	2,978.5	3,144.7	4.9	0.0	**6,128.1**	**5,791.2**
- of which real estate and housing	*381.2*	*0.0*	*0.0*	*0.0*	***381.2***	***352.1***
- of which public administration	*34.8*	*3,083.9*	*0.4*	*0.0*	***3,119.1***	***3,470.0***
Transportation / communication	862.2	61.6	0.9	0.0	**924.8**	**697.2**
- of which shipping	*86.9*	*0.0*	*0.0*	*0.0*	***86.9***	***2.1***
- of which aviation	*0.5*	*0.0*	*0.0*	*0.0*	***0.5***	***0.5***
Manufacturing	1,644.6	0.0	0.1	0.0	**1,644.7**	**1,452.5**
Energy and water supply, mining	972.2	264.0	0.4	0.0	**1,236.7**	**1,279.1**
Trade, maintenance, repairs	581.0	0.0	0.0	0.0	**581.0**	**568.5**
Agriculture, forestry and fisheries	14.4	0.0	0.0	0.0	**14.4**	**13.8**
Construction	149.4	0.0	0.0	0.0	**149.4**	**167.3**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**10,939.2**	**6,944.8**	**208.9**	**0.0**	**18,092.9**	**17,751.8**

1) The figures are reported in line with economic criteria, as in the internal reports.

2) to 6) please see the preceding rating structure table.

The table shows that the business with financial institutions and insurers with good ratings, a fundamentally low-risk business until now, continues to account for a large portion of the total exposure (41.0 per cent). If we include the public sector, this portion of the total exposure amounts to 58.2 per cent.

The total credit exposure by region breaks down as follows:

Regions [1) 2)]	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total	
in EUR million	30.06.2016				30.06.2016	31.12.2015
Eurozone countries	8,597.2	3,796.6	171.5	0.0	**12,565.4**	**12,166.9**
- of which Germany	*7,477.6*	*1,824.9*	*165.4*	*0.0*	***9,467.9***	***8,834.3***
Rest of Europe	1,357.1	819.9	28.0	0.0	**2,205.0**	**2,265.5**
North America	978.7	1,951.7	9.4	0.0	**2,939.7**	**2,939.7**
Central and South America	0.4	14.7	0.0	0.0	**15.1**	**14.8**
Middle East / Africa	2.7	0.0	0.0	0.0	**2.7**	**10.8**
Asia/Australia	3.0	361.9	0.0	0.0	**365.0**	**354.2**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**10,939.2**	**6,944.8**	**208.9**	**0.0**	**18,092.9**	**17,751.8**

[1)] The figures are reported in line with economic criteria, as in the internal reports.

[2)] to [6)] please see the preceding rating structure table.

The Bank invests almost exclusively in regions with strong economies. This means that country ratings are good too, which tends to make country risk less important. The eurozone accounts for a high 69.4 per cent share of lending, making it by far the most important business region.

Change in credit risk during the first half of 2016

The unexpected loss determined for internal management purposes via a credit portfolio model was EUR 40 million as at the financial reporting date, unchanged from the level at 31 December 2015. The marginal increase in the exposure did not result in higher risks because of better diversification.

On the other hand, the expected loss fell sharply to EUR 21 million as at 30 June 2016 (previous year: EUR 31 million) because non-performing loans were reduced.

NORD/LB CBB applies the internal ratings-based approach (IRBA) to calculate the regulatory capital requirement for credit risks. One exception is made for a small number of portfolios for which the standardised approach for credit risk is applied. The capital requirement for credit risks as at 30 June 2016 stands at EUR 327 million (previous year: EUR 313 million).

The Bank anticipates credit risks will increase moderately in the second half of 2016 due to the planned lending business.

Non-performing loans

The portfolio of non-performing loans decreased considerably during the first half of the year. The sale of one exposure resulted in the reversal of specific valuation allowances in the amount of EUR 18.4 million.

The Bank's risk provisioning (including loan loss provisions) was EUR 42.7 million as at the reporting date. The balance comprises general loan loss provisions totalling EUR 23.9 million and specific valuation allowances of EUR 18.4 million. EUR 18.2 million of this latter amount is attributable to one borrower from the manufacturing industry. The remaining EUR 0.2 million was established for one borrower from the construction industry and one borrower from the services sector.

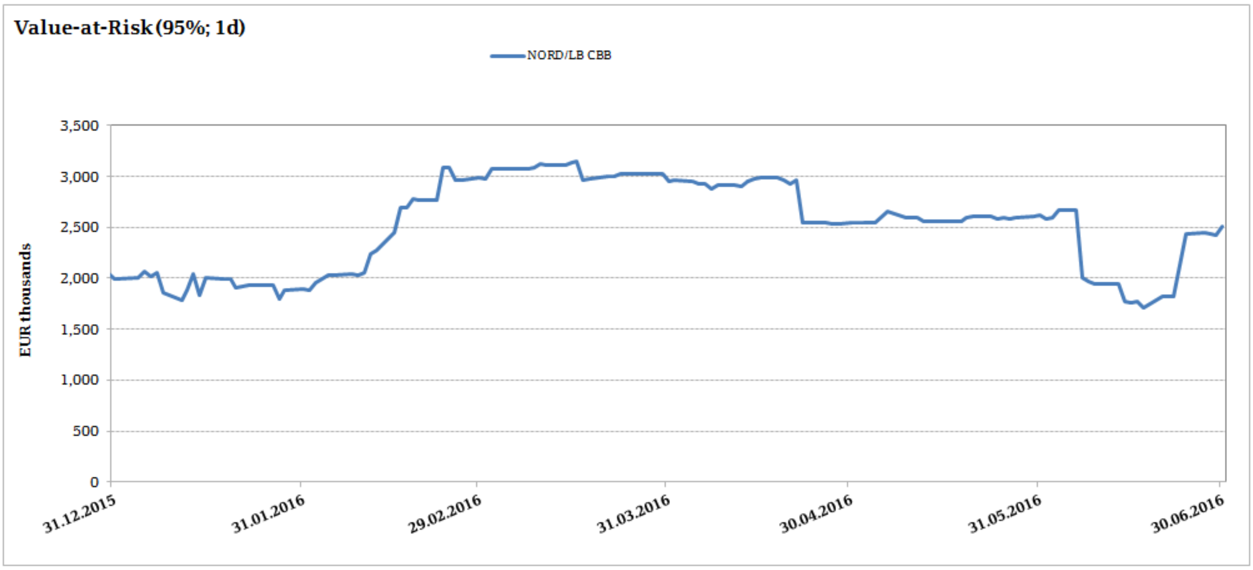
Beyond that, provisions were established for off-balance-sheet risks in the amount of EUR 0.3 million for a borrower from the manufacturing industry and EUR 0.4 million because of portfolios.

Investments

NORD/LB CBB's investment portfolio did not change in the first half of the year. The Bank's strategy does not focus on the acquisition of additional investments.

Market price risk

The following chart shows the change in value-at-risk for the overall bank (confidence level: 95 per cent, holding period: 1 day) during the first half of the year:



The value-at-risk limit for the overall bank as at 1 January 2016 declined from EUR 4.3 million to EUR 3.4 million due to a reduction in the limit capital at the overall bank level compared with the previous year. The limit was increased as of 1 June 2016 to EUR 3.6 million after the Bank's planning was adjusted in the second quarter.

As at 30 June 2016 the utilisation amounted to EUR 2.5 million, i.e. 69.7 per cent of the limit (previous year: EUR 2.0 million). The securities held for interest rate and liquidity management purposes create a focus on credit spread risks. Interest rate risks are primarily due to transactions in EUR and GBP.

The average year-to-date utilisation of the VaR limit was 73.9 per cent (previous year: 56.2per cent), with a maximum utilisation of 93.6 per cent (previous year: 77.3 per cent) and a minimum utilisation of 47.4 per cent (previous year: 38.3 per cent).

As at 30 June 2016, interest rate risks were measured at EUR 1.5 million, currency risks at EUR 0.4 million, volatility risks at EUR 0.03 million and credit spread risks from HfT and AfS exposures at EUR 1.3 million.

The effects of a standardised interest rate shock on the interest rate risks in the investment book are analysed monthly in accordance with the requirements set out in CSSF Circular 08/338. The result is well below the regulatory threshold, which prescribes a maximum 20 per cent share of liable equity.

The Bank uses the standard procedure pursuant to the CRR to calculate the regulatory capital requirement for interest rate, currency and share price risk. Taking into account the requirements for a credit valuation adjustment (CVA), a capital adequacy requirement of EUR 1.2 million (previous year: EUR 1.4 million) was calculated for market price risk as at 30 June 2016.

In contrast to the credit spread risks of IFRS categories HfT, AfS and dFV, the credit spread risk of the LaR holdings is not included in the value-at-risk for market price risk because it is based on the going-concern perspective of the risk-bearing capacity model. This risk is therefore measured and limited separately via the credit spread value-at-risk with a confidence level of 95 per cent and a holding period of 250 days. The limit is derived from the going-concern perspective of the risk-bearing capacity model.

The credit spread value-at-risk limit of the LaR holdings as at 1 January 2016 was reduced from EUR 147 million to EUR 137 million. The Board of Directors of NORD/LB CBB resolved to decrease the limit even further by EUR 30 million to EUR 107 million effective as of 1 June 2016.

The average limit utilisation during the reporting period amounted to 58.7 per cent, with a maximum utilisation of 78.0 per cent and a minimum utilisation of 46.5 per cent.

As at 30 June 2016, the credit spread value-at-risk of the LaR holdings stood at EUR 82.4 million (previous year: EUR 66.9 million).

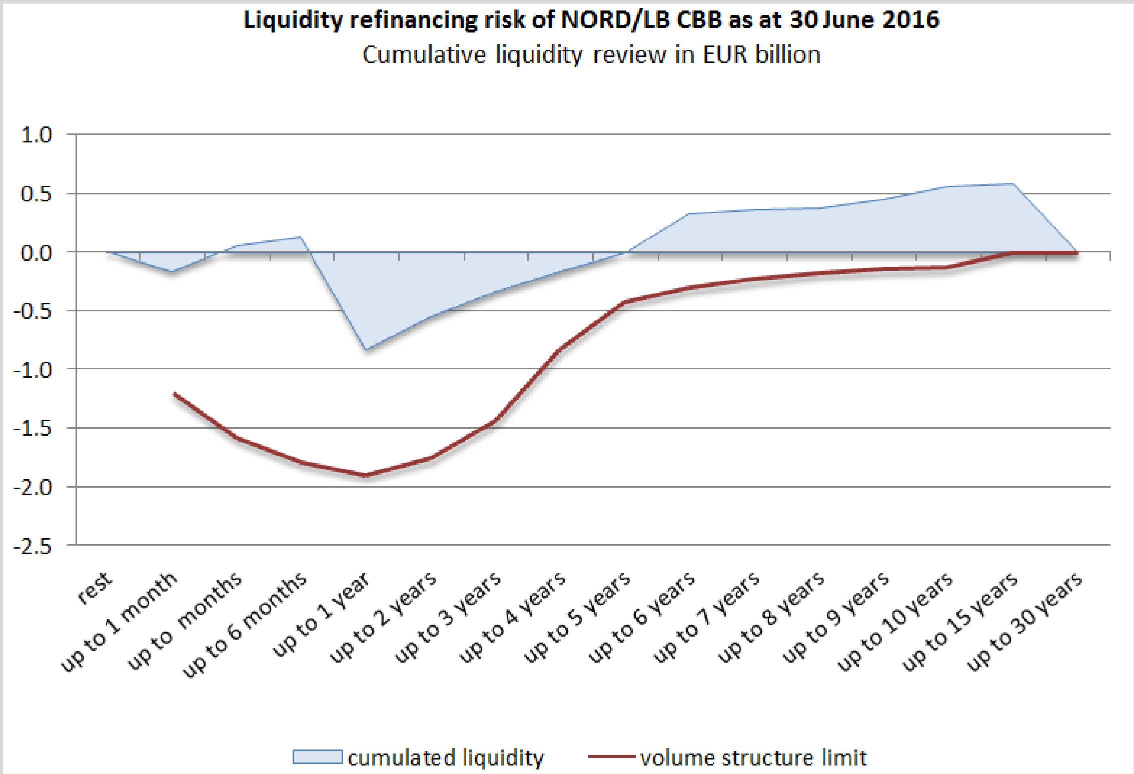
NORD/LB CBB anticipates there will be no significant increase in market price risk during the remainder of the financial year. The Bank expects its credit spread risk will drift sideways going forward. However, the monetary policy decisions of central banks and the geopolitical environment might result in phases of higher volatility on the market (for example, Brexit-related events), which may, in turn, impact the risk situation.

Liquidity risk

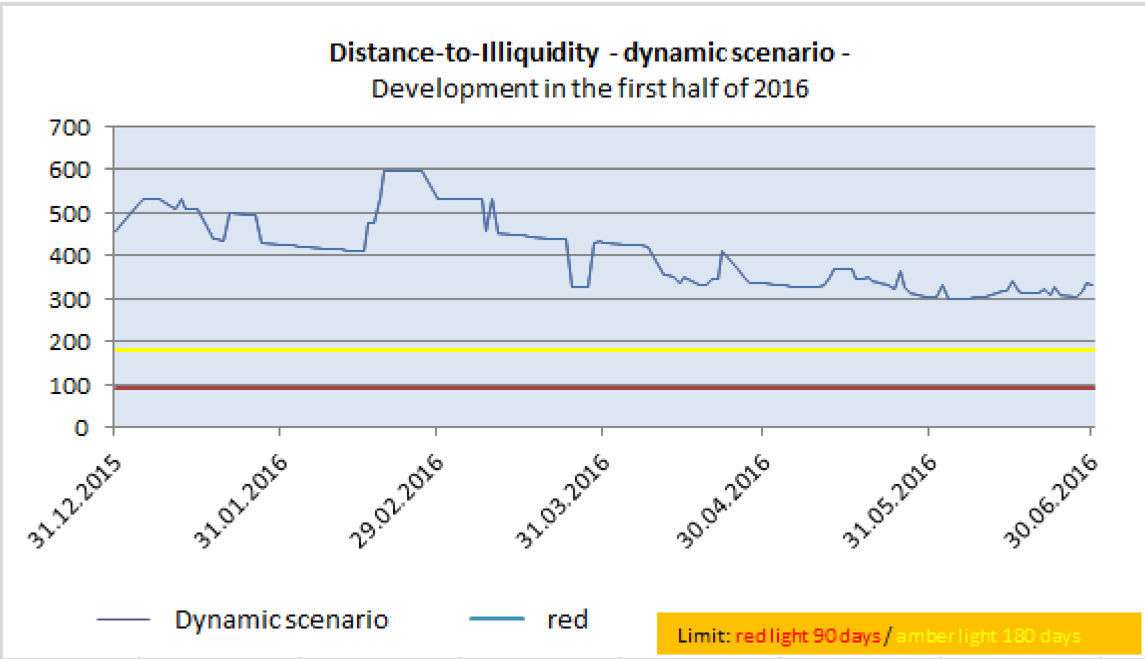
Liquidity, particularly short-term liquidity, was available at all times during the reporting period due to the extremely low level of interest rates and the adequate supply of liquidity on the market. In the second quarter, NORD/LB CBB obtained long-term liquidity in the form of a Lettre de Gage issue. The new lending business not eligible for the cover pool is partially covered by long-term funding from the NORD/LB Group.

The Bank continues to have a balanced funding mix. The Bank’s business strategy and the local banking circumstances in Luxembourg result in refinancing concentrations via financial institutions. Another significant component of the Bank’s refinancing is term deposit transactions with corporate customers. In addition, the refinancing need in the “over two years” range is largely covered via NORD/LB (uncovered funding).

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

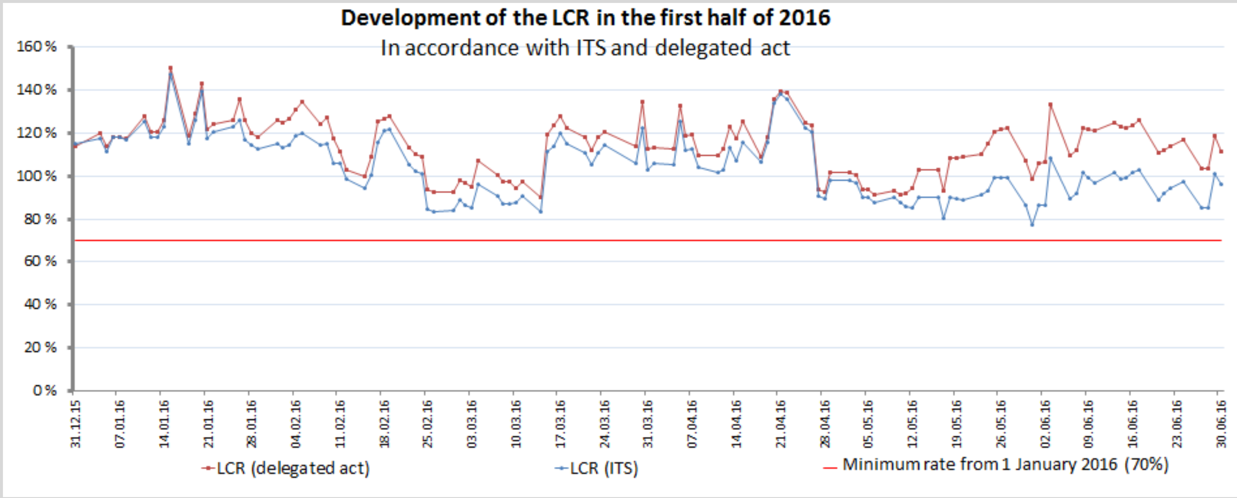


The distance-to-illiquidity (DTI) trend in the dynamic management-relevant scenario for NORD/LB CBB during the reporting period was as follows:



The DTL in the dynamic scenario was considerably more than 180 days in the first half of the year. The static scenarios in the green phase were also controlled.

Since the beginning of the year, the liquidity coverage ratio (LCR) for NORD/LB CBB in accordance with ITS and the Delegated Act changed as follows:



Regulatory requirements were adhered to at all times during the reporting period.

The asset encumbrance ratio, which expresses encumbered assets in terms of total assets, depends on the business model of the institution and, taken on its own, is suitable as a management metric only under certain conditions. The Bank's asset encumbrance ratio as at 30 June 2016 stood at 49.64 per cent (previous year: 46.11 per cent). Consistent with the business model of a mortgage-lending institution, NORD/LB CBB will continue to expand its funding via Lettres de Gage and will accordingly have a higher asset encumbrance ratio in the future.

The management of liquidity risk beyond minimum regulatory requirements ensures that the Bank is always able to meet its payment obligations on time and raise funding on the market at reasonable conditions.

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

It anticipates liquidity risk will increase moderately in the second half of 2016 due to active liquidity management and the planned lending business. The methods to measure risks and the reporting processes are being continuously enhanced. In particular, the focus in the second half of 2016 will continue to be on developing and expanding the methods to validate and manage regulatory requirements.

To address SREP requirements in this regard (in this case: the Internal Liquidity Adequacy Assessment Process (ILAAP)), the Bank is planning additional measures to implement an integrated approach to liquidity management.

Operational risk

The integrated self-assessments (to determine risks for OpRisk, ICS and Compliance) that were introduced in 2015 are being continued in 2016. This will further strengthen the integrated management of operational risks at NORD/LB CBB. The objective of this approach is to optimise the integration and management of operational risks in the second line of defence of the internal control system through close collaboration between Compliance, Security, ICS, Emergency Management and OpRisk Management.

A total of six loss events greater than EUR 1,000 were reported for all of NORD/LB CBB in the first half of 2016, with a total loss of EUR 12.0 million (of which EUR 11.5 million is still only an estimated amount – relates to a provision for ongoing legal proceedings). This is reflected as at 30 June 2016 in a greater risk potential of EUR 5.0 million in accordance with the internal model (confidence level: 95 per cent, holding period: one year). This background and the expanded strategic focus on the B2B segment prompted the Bank to increase its strategic allocation for operating risks from 3 per cent to 4 per cent.

The initial efforts to integrate OpRisk Management, closely supported by the Risk Control function, will be continued in the second half of the year. The existing cooperation with the second line of defence is to be expanded and integrated.

Other risks

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

These other risks are addressed in regular meetings of the Lux Risk Committee. These meetings include reporting and discussions with the relevant experts on the different types of risk and the current status of these risks. When needed, measures are decided to mitigate them.

Other risks are generally dealt with via a qualitative risk analysis that is carried out in risk assessments or meetings of experts on the subject of “management of other risks”. The findings of these analyses are used by risk managers and are incorporated into their activities.

Other risks did not result in any material implications for the Bank’s risk management in the first half of the year.

Summary and outlook

The Bank has taken adequate precautionary measures to address all known risks. Appropriate tools have been implemented for early detection of risks.

The utilization calculated in the risk-bearing capacity model shows that risks were covered at all times throughout the reporting period. The Bank believes there are currently no risks that jeopardize its status as a going concern.

NORD/LB CBB was in compliance with the applicable regulatory requirements for equity and liquidity at all times during the first half of 2016.

The methods and processes currently in use to manage material risks are constantly monitored and enhanced when necessary. The specific enhancements planned for the risk types in 2016 were discussed in the relevant sections above.

Personnel report

Headcount

NORD/LB CBB's headcount[2] compared with the first half of 2015 changed as follows:

30.06.2016	30.06.2015	Change (absolute)	Change in %
179.3	174.6	4.7	3

The development and qualification of the staff is very important for the Bank. Flat organisational structures enable quick response times, which are absolutely necessary for ongoing success in a dynamic environment. The Bank offers performance-linked remuneration, supplemented with corresponding employee benefits, and promotes an innovative and dynamic team culture. This approach to staff management has created a motivational and constructive work environment in which the personal potential of the Bank's employees can be fully realised.

[2] Headcount (FTE) on permanent contracts

Internal controls and risk management when compiling financial data and organisation

Definition and objective

The objective of the internal control and risk management system with regards to compiling financial reports is to prepare the interim financial statements of NORD/LB CBB in accordance with the applicable accounting provisions of International Financial Reporting Standards as they are to be applied within the European Union so that said financial statements provide a true and fair view of the net assets, financial position and results of operations. The term “ICS” is used hereafter to refer to the internal control system.

The objective of preparing correct and proper financial reports is jeopardised by the existence of risks that have an effect on financial reporting. Risks in this context include the possibility that the objective stated above is not achieved, and that material information in the financial reporting might be erroneous. The Bank classifies information as material if the absence or misstatement of such information could influence the financial decisions of the addressees. It does not distinguish between individually or cumulatively material facts.

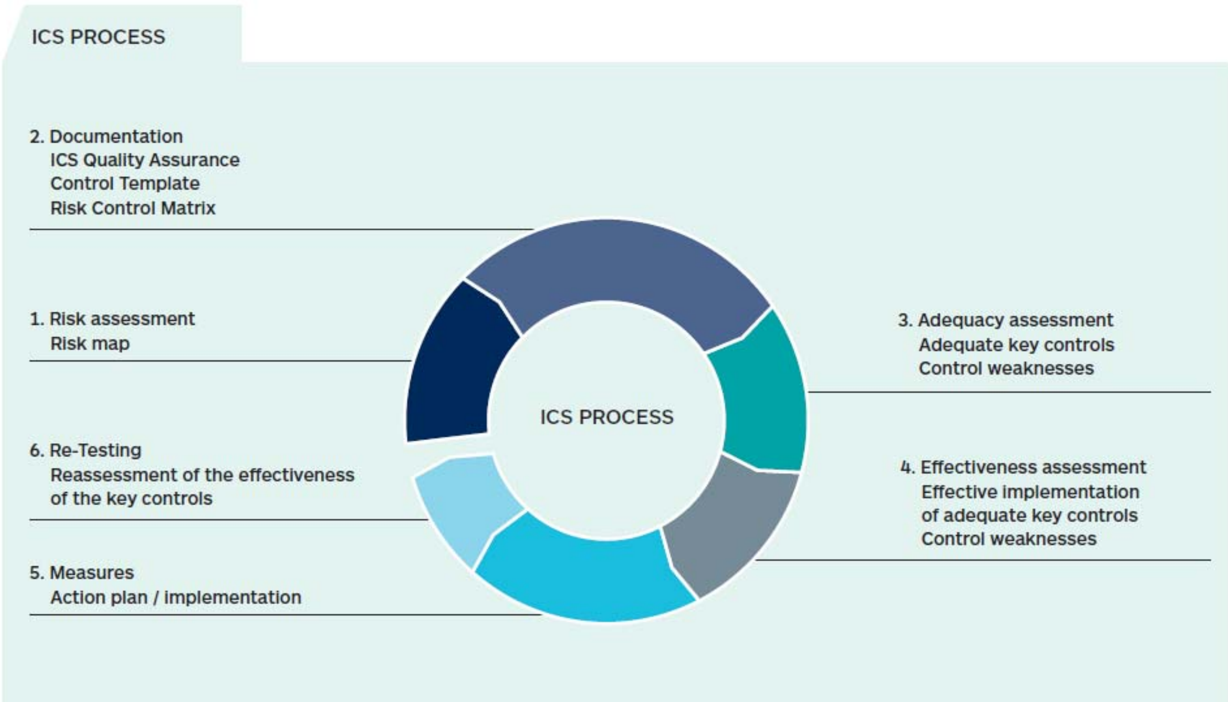
Risks for financial reporting may arise from errors in business processes. Fraudulent behaviour can also lead to misstatements. The Bank must therefore ensure that risks are minimised regarding misstatements, erroneous measurement or incorrect presentation of information in financial reporting.

The Bank’s ICS aims to provide reasonable assurance regarding compliance with applicable legal requirements, the propriety and efficiency of business activities, and the completeness and accuracy of financial reporting.

When doing so it takes into account that despite all of the measures taken by the Bank, the implemented methods and processes of the ICS can never provide absolute assurance, only reasonable assurance. There were no significant changes to the ICS governing financial reporting after the reporting date.

Overview of the internal control system (ICS)

The ICS in NORD/LB CBB is based on a standard Group ICS control loop. It ensures that a uniform approach is taken to assess the ICS based on key controls.



This approach involves identifying risks inherent in the process when the processes are defined and documented. An assessment is then made to determine whether the controls are suitable to mitigate these risks. Controls are classified as key controls depending on the risks. Every key control is evaluated regarding its control objective (appropriateness) and tested for effectiveness. If there are any control gaps, measures are taken to rectify the control weakness; the Bank's ICS Officer monitors the implementation of these measures. Optimised controls are then tested for their appropriateness and effectiveness.

The Bank's ICS is based on the requirements of banking regulators (CSSF). These standards are largely defined in the updated Circular 12/552, which stipulates the following four control levels:

- daily controls by employees performing the activities
- ongoing critical controls by the persons responsible for the administrative processing of the transactions
- controls performed by the appointed members of the Board of Directors in the business areas and functions in their direct responsibility
- controls by the internal control function

The organisational structure of the Bank is set out in an organisational chart that was created based on the principle of segregation of duties.

To ensure this segregation of duties, line management is represented operationally by the responsible manager within the respective function based on an individual delegation of authority. The members of the Board of Directors represent each other mutually regarding board support functions.

The Bank has a written process organisation that is continuously monitored and updated to reflect changes in markets, work processes and external regulations. Core components of this documentation include organisational charts, guidelines, process descriptions, forms and written informational material. These obligatory documents are summarised in the Bank's organisational handbook.

Material transactions are processed according to the principle of dual control. The required segregation of duties in the business processes is also ensured from a technical data processing perspective. The personnel and technical resources allocated to a process are adjusted to suit the corresponding scope and nature of the business activity.

<u>Risk control function</u>

The Risk Control function is responsible for anticipating, identifying, measuring, tracking, monitoring and reporting on all of the risks which the Bank is or could be exposed to. The results of this activity are summarised in an annual report compiled by the Risk Control function for the Bank's Board of Directors and Supervisory Board.

<u>Compliance function</u>

The Compliance function performs its activities pursuant to a control plan approved by the Board of Directors. The Compliance Officer updates the Board of Directors regularly on the checks performed and their results.

<u>Internal Auditing</u>

The Bank has an Internal Auditing function whose objectives, responsibilities, tasks and position within the organisation of the Bank are defined by the Board of Directors in an audit charter. The Internal Auditing function reports to the Board of Directors on an ongoing basis on the audits it has performed and their findings. Internal Auditing also monitors the implementation of measures required to rectify deficiencies.

Sustainability report

Our beliefs

In 2013 NORD/LB CBB decided to establish a Sustainability Management function. That same year the Sustainability Officer and a small team began their work, too. NORD/LB Luxembourg S.A. Covered Bond Bank has continued this work with a focus on the requirements set out by the Group.

The commercial success of NORD/LB CBB over the long term is possible only amid a stable natural environment and in a society that balances economic and social considerations. This understanding shapes the strategic direction of NORD/LB CBB and the nature of our business model. At the same time, it is an important contribution to our goal of harmonising our daily activities with the demands of our stakeholders. Placing great demands on our behaviour therefore contributes to our sustainability – in the interests of both the commercial success of the Bank and the responsibility we have towards our customers, our employees, the environment and society.

Sustainability as a strategic factor

The Bank's sustainability strategy defines the basic orientation of our actions. It sets out the focal points in individual areas of activity and documents the specific objectives we aim to achieve by 2020. We have a sustainability programme, which is constantly being enhanced, to disclose the measures we aim to utilise to achieve these focal points and objectives. We regularly update our website to inform our stakeholders about the results of our sustainability activities.

Governance

We believe acting with integrity is an essential part of responsible corporate management. Doing so also helps us to permanently strengthen the trust that all stakeholders have placed in NORD/LB CBB. Our working guidelines include voluntary commitments to expand our corporate activities to take account of environmental, social and ethical aspects.

Customers

We aim to help our customers prepare proactively for the future by supporting them to exploit opportunities and minimise possible risks that result from sustainable development and global change. This increases customer satisfaction and builds long-lasting partnerships that will ensure customer loyalty to NORD/LB CBB.

Employees

We create conditions that enable our employees to develop their potential – benefiting not only themselves but also the Bank and the customers of the Bank. These conditions include offers for professional and personal development, programmes to reconcile work and family life as well as a healthy and non-discriminatory working environment in which people enjoy their work.

Environment

Taking an active approach to environmental protection is an important part of our business and the way we realise our corporate responsibility. We have undertaken several initiatives to reduce the environmental impact of our business and lower energy and resource costs. Not only does this help protect the environment, it benefits our bottom line, too. We use the latest technology to do this, including a photovoltaic system, for example.

Society

We are committed to improving the living conditions of the people in our sphere of influence and thereby simultaneously boosting the sustainability of the social environment. The training of young banking professionals is just as important as our support of social institutions and initiatives. The Bank makes both monetary and non-monetary donations to social organisations and self-help institutions as well as to cultural clubs and associations. Going forward, our website will also contain reports on current activities, our goals and our future priorities.

Supplementary report

No significant events occurred between the balance sheet date on 30 June 2016 and the preparation of these financial statements by the Board of Directors on 17 August 2016.

Forward-looking statements

This report contains forward-looking statements. They can be recognised in terms such as “expect”, “intend”, “plan”, “endeavour” and “estimate” and are based on our current plans and estimations. These statements include uncertainties since there are numerous factors which influence the business and are beyond the control of NORD/LB Luxembourg S.A. Covered Bond Bank. These include, in particular, the development of financial markets and changes in interest rates and market prices. Actual results and developments may therefore differ considerably from the assumptions made in the report. NORD/LB Luxembourg S.A. Covered Bond Bank accepts no responsibility for the forward-looking statements and also does not intend to update or correct them if developments materialise that are different than those expected.

Luxembourg, 17 August 2016

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

Condensed interim financial statements

Condensed interim financial statements

The following tables may contain computational rounding differences.

The following notes are an integral component of the condensed interim financial statements.

Condensed income statement

of NORD/LB CBB for the period from 1 January to 30 June 2016 compared with the period from 1 January to 30 June 2015:

	Notes	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)
Net interest income	**(4)**	**45,033**	**44,053**
Interest income		257,950	312,128
Interest expenses		-212,917	-268,075
Loan loss provisions	**(5)**	**1,924**	**-2,242**
Net commission income	**(6)**	**-12,244**	**-12,907**
Profit/loss from financial instruments at fair value through profit or loss	**(7)**	**13,659**	**-2,117**
Profit/loss from hedge accounting	**(8)**	**3,039**	**4,904**
Profit/loss from financial assets	**(9)**	**5,415**	**2,781**
Administrative expenses	**(10)**	**-18,450**	**-21,328**
Other operating profit/loss	**(11)**	**-2,752**	**12,111**
Earnings before taxes		**35,624**	**25,254**
Income taxes	**(12)**	**-10,200**	**-2,537**
Interim result		**25,424**	**22,717**
Of which attributable to shareholders		25,424	22,717
Of which attributable to non-controlling interests		0	0

Condensed statement of comprehensive income

The total income for the first half of 2016 consists of the income and expenses recognised in the income statement and directly in equity.

of NORD/LB CBB for the period from 1 January to 30 June 2016 compared with the period from 1 January to 30 June 2015:

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)
Interim result	**25,424**	**22,717**
Other comprehensive income	**19,898**	**-4,101**
Other comprehensive income that will not be reclassified to the income statement in subsequent periods	**0**	**0**
Revaluation of net indebtedness from defined benefit plans	0	0
Deferred taxes	0	0
Other comprehensive income that will be reclassified to the income statement in subsequent periods	**19,898**	**-4,101**
Changes from financial instruments classified as AfS	28,112	-5,794
Unrealised gains/losses	27,083	-9,291
Reclassification due to realisation of gains/losses	1,029	3,496
Currency translation differences of foreign business units	0	0
Deferred taxes	-8,214	1,693
Total comprehensive income in the first half	**45,322**	**18,616**
Of which attributable to shareholders	45,322	18,616
Of which attributable to non-controlling interests	0	0

Balance sheet

of NORD/LB CBB for the reporting date as at 30 June 2016 in comparison with the NORD/LB Luxembourg Group for the reporting date as at 31 December 2015:

Assets	**Notes**	**30.06.2016 (in EUR million)**	**31.12.2015 (in EUR million)**
Cash reserve		27.1	84.1
Loans and advances to banks	(13)	1,430.0	1,510.0
Loans and advances to customers	(14)	7,596.9	6,768.8
Risk provisioning	(15)	-21.5	-39.9
Financial assets at fair value through profit or loss	(16)	1,201.7	1,287.0
Positive fair values from hedge accounting – derivatives		395.7	290.4
Financial assets	(17)	5,492.8	5,846.2
Property and equipment	(18)	67.1	67.3
Intangible assets	(19)	17.6	14.1
Current income tax assets		0.0	0.1
Deferred income tax assets		1.0	1.0
Other assets	(20)	6.5	2.7
Total assets		**16,214.8**	**15,831.8**

Liabilities and equity	**Notes**	**30.06.2016 (in EUR million)**	**31.12.2015 (in EUR million)**
Liabilities to banks	(21)	7,219.9	7,626.4
Liabilities to customers	(22)	3,115.4	3,221.4
Securitised liabilities	(23)	3,400.5	3,114.2
Financial liabilities at fair value through profit or loss	(24)	723.9	204.6
Negative fair values from hedge accounting – derivatives		876.3	791.8
Provisions	(25)	21.6	22.0
Current income tax liabilities		10.7	3.9
Deferred income tax liabilities		19.7	11.5
Other liabilities	(26)	22.5	20.9
Subordinated capital	(27)	58.5	114.9
Equity		**745.6**	**700.3**
Subscribed capital		205.0	205.0
Capital reserves		0.0	0.0
Retained earnings		505.9	480.5
Revaluation reserves		34.7	14.8
Total equity		745.6	700.3
Equity attributable to shareholders		745.6	700.3
Equity attributable to non-controlling interests		0.0	0.0
Total liabilities and equity		**16,214.8**	**15,831.8**

Condensed cash flow statement

of NORD/LB CBB for the period from 1 January to 30 June 2016 compared with the period from 1 January to 30 June 2015:

	01.01.2016–30.06.2016 (in EUR million)	01.01.2015–30.06.2015 (in EUR million)
Cash and cash equivalents as at the beginning of the period	**84.1**	**2.5**
Cash flow from operating activities	268.1	-852.4
Cash flow from investing activities	-269.8	889.4
Cash flow from financing activities	-55.4	-0.3
Total cash flow	**-57.1**	**36.7**
Effects of changes in exchange rates and in the basis of consolidation	0.0	0.0
Cash and cash equivalents as at the end of the period	**27.1**	**39.2**

Condensed statement of changes in equity

of NORD/LB CBB for the period from 1 January to 30 June 2016:

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Revalua-tion reserves	Currency translation reserve	Equity before non-controlling interests	Non-controlling interests	Equity
Equity as at 01.01.2016	**205.0**	**0.0**	**480.5**	**14.8**	**0.0**	**0.0**	**0.0**	**700.3**
Comprehensive income for the period	**0.0**	**0.0**	**25.4**	**19.9**	**0.0**	**0.0**	**0.0**	**45.3**
Distribution	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity as at 30.06.2016	**205.0**	**0.0**	**505.9**	**34.7**	**0.0**	**0.0**	**0.0**	**745.6**

of NORD.LB CBB for the period from 1 January to 30 June 2015:

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Revalua-tion reserves	Currency translation reserve	Equity before non-controlling interests	Non-controlling interests	Equity
Equity as at 01.01.2015	**205.0**	**0.0**	**478.3**	**17.0**	**0.0**	**700.3**	**0.0**	**700.3**
Comprehensive income for the period	**0.0**	**0.0**	**22.7**	**-4.1**	**0.0**	**18.6**	**0.0**	**18.6**
Distribution	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity as at 30.06.2015	**205.0**	**0.0**	**501.0**	**12.9**	**0.0**	**718.9**	**0.0**	**718.9**

Condensed notes

Condensed notes

Accounting policies

(1) Principles for the preparation of the condensed interim financial statements

The condensed interim financial statements of NORD/LB CBB as at 30 June 2016 were prepared based on Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 (IAS Regulation) in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) that are applicable within the European Union. The requirements for condensed interim financial statements are set out in particular in IAS 34 Interim financial reporting. The condensed interim financial statements are to be read in conjunction with the information contained in the certified, published annual financial statements of NORD/LB Luxembourg S.A. Covered Bond Bank as at 31 December 2015.

The condensed interim financial statements as at 30 June 2016 comprise the condensed income statement, the condensed statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and selected notes. The segment reporting is included in the notes.

These condensed interim financial statements of NORD/LB CBB as at 30 June 2016 relate to the accounting figures as at that date and to the information contained in the income statement for the period from 1 January 2016 to 30 June 2016, each on an unconsolidated basis.

The reporting currency for the condensed interim financial statements is the euro. All amounts are reported rounded in euro millions (EUR million) unless indicated otherwise. The figures from the comparable period or point in time of the previous year are hereafter included in brackets in the text.

These condensed interim financial statements were signed by the Board of Directors on 17 August 2016 and approved for publication.

(2) Applied and new IFRSs

These condensed interim financial statements were prepared taking into account all IFRSs, interpretations and their amendments that have been adopted by the EU through its endorsement process and which are applicable for NORD/LB CBB in the reporting period 2016.

Unless specified otherwise, the accounting policies for the interim financial statements are based on those of the annual financial statements as at 31 December 2015.

<u>Amendments to IFRS 11 – Accounting for the acquisition of an interest in a joint operation</u>

The amendments to IFRS 11 published in May 2014 set out how to account for the acquisition of an interest in a joint operation that is a business in the sense of IFRS 3. All of the principles defined in IFRS 3 or in other standards for the accounting of business combinations are to be applied to the acquired interest, and the corresponding disclosure requirements must be observed as well.

There are currently no circumstances in NORD/LB CBB to which the amendments to IFRS 11 apply.

<u>Amendments to IAS 1 – Presentation of financial statements</u>

The amended standard published on 18 December 2014 implemented the initial proposals under the IASB's initiative to improve disclosures in the notes. The amendments emphasise the concept of materiality to facilitate the communication of relevant information in IFRS-based financial statements. This will be achieved by waiving the requirement to disclose immaterial information, by allowing for the possibility of supplementary subtotals and by enabling greater flexibility in the structure of the notes. Furthermore, the breakdown of other comprehensive income (OCI) in the statement of comprehensive income has been clarified.

The amendments to IAS 1 do not have an effect on the interim financial statements of NORD/LB CBB.

<u>Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation</u>

On 12 May 2014, the IASB published amendments to IAS 16 Property, plant and equipment and IAS 38 Intangible assets. These amendments concern the acceptable methods of presenting appropriately the consumption of an asset’s future economic benefit. It was clarified that for property, plant and equipment, depreciation based on the revenue of the goods generated by these assets is not appropriate, and that in the case of intangible assets with a limited useful life it is permitted only in explicitly specified exceptional cases.

As this depreciation method is not used in NORD/LB CBB, the amendments to IAS 16 and IAS 38 do not have any effects.

<u>Amendments to IAS 19 – Defined benefit plans: Employee contributions</u>

The amendment to IAS 19 Employee benefits that was published in November 2013 specifies the requirements associated with the allocation of employee contributions or third-party contributions to the periods of service if the contributions are linked to the period of service. Additionally, waivers are created if the contributions are independent of the number of years of service.

The amendment to IAS 19 does not require an adjustment of NORD/LB CBB’s financial statements.

The IASB’s Annual Improvements Process resulted in amendments to the following standards: IFRS 2, IFRS 3, IFRS 5, IFRS 7, IFRS 8 and IFRS 13 as well as IAS 16, IAS 19, IAS 24, IAS 34 and IAS 38. These changes to the wording in individual IFRSs aim to clarify existing regulations. The annual improvements to IFRSs do not have an effect on these financial statements.

NORD/LB CBB has not applied early any standards, interpretations or amendments that have been published but whose application is not yet mandatory.

Material discretionary decisions by management regarding accounting and measurement practices in the Bank include the following: the use of the fair value option for financial instruments and own issues, the waiver of the requirement to categorise financial instruments as held-to-maturity (HtM) and the application of reclassification regulations under IAS 39 for selected investments.

Segment reporting

Segmentation by business segments

Segment reporting is performed pursuant to IFRS 8 to provide information on the business segments in accordance with the Bank's business model on the basis of internal management reporting. These segments are defined as the customer or product groups that match the organisational structure of the Bank.

Net interest income generated by the individual segments was calculated based on the market interest rate method. Segment expenses comprise primary expenses and expenses allocated on the basis of cost and service charging.

Financial Markets & Sales

This segment includes primarily the areas commissioned with managing the Bank (liquidity provisioning, interest and currency management). Sales activities in which the European marketing capacities of the NORD/LB Group are bundled are allocated here, too. The direct lending business with savings banks and other direct lending business of this commercial activity are allocated here as well.

Loans

This segment includes primarily the lending business performed in close cooperation with other units of the NORD/LB Group and the associated contributions to income.

Client Services & B2B

NORD/LB CBB outsourced the Private Banking business segment at the end of 2014. Account and deposit management as well as lending business with private banking customers have remained with the Bank, as has the resulting income. These activities are allocated to the Client Services & B2B business segment.

Bank Management & Other

This segment covers other positions and reconciling items. The profit contributions realised from investments are reported here, too.

(3) Segmentation of NORD/LB CBB by business segment

in EUR thousands (01.01.2016–30.06.2016 / 01.01.2015–30.06.2015)	Segments: Financial Markets & Sales	Loans	Client Services & B2B	Bank Management & Other	Total
Net interest income	**4,746**	**39,142**	**787**	**357**	**45,033**
Ditto previous year	13,045	38,194	1,033	-8,219	44,053
Loan loss provisions	**11**	**1,842**	**72**	**0**	**1,924**
Ditto previous year	154	-2,450	54	0	-2,242
Net interest income after risk provisioning	**4,757**	**40,984**	**859**	**357**	**46,957**
Ditto previous year	13,198	35,744	1,087	-8,219	41,811
Net commission income	**1,660**	**-13,526**	**-230**	**-149**	**-12,244**
Ditto previous year	1,436	-13,868	-372	-103	-12,907
Profit/loss from financial instruments at fair value through profit or loss	**13,659**	**0**	**0**	**0**	**13,659**
Ditto previous year	-2,117	0	0	0	-2,117
Profit/loss from hedge accounting	**0**	**0**	**0**	**3,039**	**3,039**
Ditto previous year	0	0	0	4,904	4,904
Profit/loss from financial assets	**5,415**	**0**	**0**	**0**	**5,415**
Ditto previous year	2,780	0	0	0	2,781
Administrative expenses	**-6,199**	**-6,162**	**-1,661**	**-4,428**	**-18,450**
Ditto previous year	-6,078	-5,972	-1,557	-7,721	-21,328
Other income/expenses	**-1,269**	**-114**	**1,018**	**-2,386**	**-2,752**
Ditto previous year	-1,785	-142	1,329	12,710	12,111
Earnings before taxes	**18,022**	**21,182**	**-14**	**-3,567**	**35,624**
Ditto previous year	7,435	15,763	486	1,570	25,254
in EUR million 30.06.2016 / 31.12.2015					
Segment assets	**8,616.2**	**7,458.7**	**48.0**	**91.9**	**16,214.80**
Ditto previous year	9,083.6	6,541.3	120.9	86.0	15,831.8
Segment liabilities (including equity)	**13,720.6**	**1,458.8**	**158.0**	**877.5**	**16,214.8**
Ditto previous year	13,488.2	1,439.5	147.9	756.1	15,831.8
Risk-weighted assets	**1,484.9**	**2,579.1**	**61.6**	**103.0**	**4,228.6**
Ditto previous year	1,591.6	2,395.0	63.1	89.9	4,139.6
Capital commitment	**118.8**	**206.3**	**4.9**	**8.2**	**338.3**
Ditto previous year	143.2	215.6	5.7	8.1	372.6
CIR *)	**32.4%**	**24.2%**	**105.4%**	**514.0%**	**39.2%**
Ditto previous year	45.5%	24.7%	78.3%	83.1%	43.7%
RoRaC **)	**21.9%**	**20.2%**	**-0.5%**	**-65.7%**	**18.2%**
Ditto previous year	6.8%	15.0%	6.1%	16.2%	10.9%

*) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components.

**) RoRaC = Earnings before taxes/maximum (of limit for capital commitment or capital commitment).

Additional segment information in EUR million	Financial Markets & Sales	Loans	Client Services & B2B	Bank Management & Other	Total
Property and equipment, net	**0.0**	**0.0**	**0.0**	**67.1**	**67.1**
Ditto previous year	18.3	17.9	6.9	24.2	67.3
Depreciation of property and equipment, current reporting period	**0.0**	**0.0**	**0.0**	**-0.7**	**-0.7**
Ditto previous year	-0.3	-0.3	-0.1	-0.4	-1.0
Intangible assets, net	**0.0**	**0.0**	**0.0**	**17.6**	**17.6**
Ditto previous year	3.8	3.8	1.4	5.1	14.1
Amortisation of intangible assets, current reporting period	**0.0**	**0.0**	**0.0**	**-0.7**	**-0.7**
Ditto previous year	-0.3	-0.3	-0.1	-0.3	-0.9
Change in valuation allowances on financial assets, current reporting period	**5.1**	**0.0**	**0.0**	**0.0**	**5.1**
Ditto previous year	-0.4	0.0	0.0	0.0	-0.4

Notes on the condensed income statement

(4) Net interest income and current income

Interest income and expenses contain received and paid interest income and expenses, deferred interest, constant effective interest rate amortisation of premiums and discounts on financial instruments, and dividend income.

Negative interest is netted with other interest income. Negative interest did not have a material effect on net interest income in either the first half of 2016 or in the comparable period in 2015.

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Interest income	**257,950**	**312,128**	**-17**
Interest income from lending and money market transactions	101,930	99,237	3
Interest income from fixed-interest securities and debt securities	72,076	81,004	-11
Current income	0	0	–
From shares and non-fixed-interest securities	0	0	–
From investments	0	0	–
Interest income from hedging derivatives	83,941	131,711	-36
Interest income from other amortisations	0	0	–
Other interest income and similar income	2	175	-99
Interest expenses	**-212,917**	**-268,075**	**-21**
Interest expenses from lending and money market transactions	-61,362	-63,513	-3
Interest expenses from securitised liabilities	-14,478	-20,373	-29
Interest expenses from subordinated capital	-258	-326	-21
Interest expenses from hedging derivatives	-136,818	-183,860	-26
Interest expenses from other amortisations	0	0	–
Other interest expenses and similar expenses	-1	-3	-57
Total	**45,033**	**44,053**	**2**

(5) Loan loss provisions

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Income from loan loss provisions	**2,357**	**815**	**> 100**
Reversal of specific valuation allowances on loans and advances	2,210	172	> 100
Reversal of general loan loss provisions on loans and advances	22	149	-85
Reversal of loan loss provisions	125	495	-75
Additions to receivables written off	0	0	–
Expenses from loan loss provisions	**-433**	**-3,057**	**-86**
Allocations to specific valuation allowances on loans and advances	-20	-2,308	-99
Allocations to general loan loss provisions on loans and advances	0	-520	-100
Allocations to loan loss provisions	0	0	–
Direct write-offs of loans and advances	-413	-229	80
Total	**1,924**	**-2,242**	**< -100**

(6) Net commission income

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Commission income	**11,146**	**7,494**	**49**
From securities and custody business	3,391	2,487	36
From brokerage business	0	0	-70
From lending business and financial guarantees	7,363	4,711	56
Other commission income	392	296	32
Commission expenses	**-23,390**	**-20,402**	**15**
From brokerage business	-12,363	-10,178	21
From lending business and financial guarantees	-10,422	-9,450	10
Other commission expenses	-606	-773	-22
Total	**-12,244**	**-12,907**	**-5**

(7) Profit/loss from financial instruments at fair value through profit or loss

Trading profit/loss includes the realised profit/loss (defined as the difference between the disposal proceeds and the carrying amount as at the last reference date) and the valuation result from trading activities (defined as unrealised expenses and income from the fair value measurement).

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Trading profit/loss	**-11,877**	**784**	**< -100**
Realised profit/loss	-10,845	-8,478	28
From debt securities and other fixed-interest securities	-230	5,323	< -100
From shares and non-fixed-interest securities	0	0	-24
From derivatives	-10,614	-13,800	-23
Valuation result	-538	344	< -100
From debt securities and other fixed-interest securities	180	-4,412	< -100
From shares and non-fixed-interest securities	0	0	–
From derivatives	-718	4,756	< -100
Foreign exchange result	-494	8,586	< -100
Other profit/loss	0	331	-100
Profit/loss from the use of the fair value option	**25,536**	**-2,900**	**< -100**
Realised profit/loss from	3,286	5,692	-42
Debt securities and other fixed-interest securities	3,286	5,692	-42
From shares and non-fixed-interest securities	0	0	–
Own issues	0	0	–
Valuation result from	22,250	-15,423	< -100
Debt securities and other fixed-interest securities	28,220	-15,423	< -100
From shares and non-fixed-interest securities	0	0	–
Own issues	-5,970	0	> 100
Other profit/loss	0	6,831	-100
Total	**13,659**	**-2,117**	**< -100**

(8) Profit/loss from hedge accounting

The profit/loss from hedge accounting includes netted changes in fair value relating to the hedged risk on the underlying transactions and netted changes in fair value to hedging instruments in effective micro fair value hedges. The Bank performs micro fair value hedge accounting to hedge interest rate risk and currency risk. Hedged underlying transactions include loans and advances or liabilities to banks and customers, financial assets and own issues.

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Profit/loss from micro fair value hedges	**3,039**	**4,904**	**-38**
From hedged underlying transactions	8,641	9,176	-6
From derivatives used as hedging instruments	-5,602	-4,272	31
Total	**3,039**	**4,904**	**-38**

(9) Profit/loss from financial assets

The profit/loss from financial assets includes disposal gains/losses and valuation results at fair value through profit or loss from securities and investments reported as financial assets.

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Profit/loss from financial assets classified as LaR including general loan loss provisions	**727**	**-1,350**	**< -100**
Profit/loss from financial assets classified as AfS (without investments)	**4,688**	**4,131**	**13**
Profit/loss from the disposal	1,029	5,095	-80
of debt securities and other fixed-interest securities	1,029	5,095	-80
of repurchased own bonds	0	0	–
Profit/loss from valuation allowances	3,659	-964	< -100
of debt securities and other fixed-interest securities	3,659	-964	< -100
Profit/loss from affiliated companies	0	0	–
Total	**5,415**	**2,781**	**95**

(10) Administrative expenses

Administrative expenses comprise staff expenses, other administrative expenses, depreciation of property and equipment, and amortisation of intangible assets.

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Staff expenses	**-10,123**	**-10,875**	**-7**
Other administrative expenses	**-6,863**	**-8,530**	**-20**
Depreciation and impairment losses	**-1,464**	**-1,923**	**-24**
Total	**-18,450**	**-21,328**	**-13**

(11) Other operating profit/loss

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Other operating income	**1,024**	**14,285**	**-93**
From the reversal of provisions	0	1,202	-100
Other income	1,024	13,084	-92
Other operating expenses	**-3,775**	**-2,174**	**74**
From allocations to provisions	-70	0	> 100
Other expenses	-3,706	-2,174	70
Total	**-2,752**	**12,111**	**< -100**

(12) Income taxes

Income taxes reported in the interim financial statements are calculated based on the anticipated income tax rate for the full year. The underlying tax rate is based on the legal regulations applicable or enacted as at the reporting date.

	01.01.2016–30.06.2016 (EUR thousands)	01.01.2015–30.06.2015 (EUR thousands)	Change in %
Current income taxes	-10,200	-2,498	> 100
Deferred taxes	0	-39	-100
Total	**-10,200**	**-2,537**	**> 100**

Notes to the balance sheet

(13) Loans and advances to banks

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Loans and advances resulting from money market transactions	**1,036.9**	**1,108.7**	**-6**
Domestic banks	161.7	181.9	-11
Foreign banks	875.2	926.8	-6
Other loans and advances	**393.1**	**401.3**	**-2**
Domestic banks	99.3	60.9	63
Due on demand	99.3	60.9	63
With a fixed term or period of notice	0.0	0.0	–
Foreign banks	293.9	340.4	-14
Due on demand	27.1	48.6	-44
With a fixed term or period of notice	266.8	291.8	-9
Total	**1,430.0**	**1,510.0**	**-5**

(14) Loans and advances to customers

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Loans and advances resulting from money market transactions	**0.0**	**0.0**	**–**
Domestic customers	0.0	0.0	–
Customers abroad	0.0	0.0	–
Other loans and advances	**7,596.9**	**6,768.8**	**12**
Domestic customers	186.2	243.3	-23
Due on demand	0.5	70.4	-99
With a fixed term or period of notice	185.7	172.8	7
Customers abroad	7,410.7	6,525.5	14
Due on demand	35.2	30.4	16
With a fixed term or period of notice	7,375.5	6,495.2	14
Total	**7,596.9**	**6,768.8**	**12**

(15) Risk provisioning

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Specific valuation allowances on loans and advances	**-18.1**	**-36.4**	**-50**
General loan loss provisions on loans and advances	**-3.4**	**-3.5**	**-1**
Total	**-21.5**	**-39.9**	**-46**

The risk provisioning reported under assets and loan loss provisions changed as follows:

in EUR million	Specific valuation allowances	General loan loss provisions	Loan loss provisions	Total
01.01.2015	**34.2**	**2.9**	**1.0**	**38.1**
Allocations	2.3	0.4	0.0	**2.7**
Reversals	-0.2	0.0	-0.5	**-0.7**
Utilisation	0.0	0.0	0.0	**0.0**
Effects of changes in foreign exchange rates, unwinding and other changes	0.0	0.2	0.5	**0.7**
Reclassifications	0.1	0.0	-0.1	**0.0**
31.12.2015	**36.4**	**3.5**	**0.9**	**40.8**
Allocations	0.0	0.0	0.0	**0.0**
Reversals	-2.2	0.0	-0.1	**-2.4**
Utilisation	-16.7	0.0	0.0	**-16.7**
Effects of changes in foreign exchange rates, unwinding and other changes	0.6	0.0	0.0	**0.6**
Reclassifications	0.0	0.0	0.0	**0.0**
30.06.2016	**18.1**	**3.4**	**0.8**	**22.3**

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

This item includes trading assets (HfT) and designated financial assets reported at fair value (dFV). The Bank's trading activities comprise trading in debt securities and other fixed-interest securities, shares and other non-fixed-interest securities, and derivative financial instruments not used for hedging purposes.

in EUR million	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Trading assets	**101.3**	**92.8**	**9**
Debt securities and other fixed-interest securities	0.0	9.6	-100
Shares and non-fixed-interest securities	0.0	0.0	–
Positive fair values from derivatives	101.3	83.2	22
Designated financial assets reported at fair value	**1,100.4**	**1,194.2**	**-8**
Loans and advances to banks and customers	0.0	0.0	–
Debt securities and other fixed-interest securities	1,100.4	1,194.2	-8
Shares and non-fixed-interest securities	0.0	0.0	–
Total	**1,201.7**	**1,287.0**	**-7**

(17) Financial assets

Financial assets include primarily all exposures that are not held for trading purposes and are classified as available for sale (AfS) relating to both debt securities and other fixed-interest securities as well as shares and non-fixed-interest securities.

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Financial assets classified as LaR	**2,614.5**	**2,706.5**	**-3**
Financial assets classified as AfS	**2,878.3**	**3,139.7**	**-8**
Debt securities and other fixed-interest securities	2,878.3	3,139.6	-8
Shares and non-fixed-interest securities	0.0	0.0	-28
Shares in companies	0.0	0.0	0
Total	**5,492.8**	**5,846.2**	**-6**

Financial assets classified as LaR include general provisions in the amount of EUR -20.5 million.

No reclassifications were made during the reporting period.

The predecessor institution NORD/LB CFB utilised the options available under IAS 39.50E and in 2008 reclassified 19 AfS-designated securities (bonds and debt securities) into LaR. This involved reclassifying bonds and debt securities for which on the reclassification date there was clearly no further intention to sell or trade the assets; the intention was instead to hold them in the portfolio for the foreseeable future. The bonds and debt securities were reclassified in accordance with the amended IAS 39 with effect from either 1 July 2008 or the purchase date in the third quarter of 2008 at the fair value calculated on the relevant reference date. The carrying amount on the reclassification date was reduced on a pro rata basis through corresponding maturities. The carrying amount also fluctuated as a result of changes to the hedge fair value. No further reclassifications were made by the predecessor institutions between 2009 and 2014.

The reporting in the balance sheet was also changed to reflect the reclassifications (shown in reclassification). The following table shows the carrying amounts and fair value of the reclassified assets in the predecessor institution NORD/LB CFB as well as the balance as at 30 June 2016 in NORD/LB CBB:

in EUR million	30.06.2016			31.12.2015			31.12.2014		
	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value
Reclassified financial assets	364.1	504.3	486.4	367.0	514.5	497.2	407.2	629.7	595.8

in EUR million	31.12.2013			31.12.2012			31.12.2011		
	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value
Reclassified financial assets	407.2	580.6	508.9	446.2	644.5	510.3	529.3	698.4	569.7

in EUR million	31.12.2010			31.12.2009			31.12.2008		
	Carrying amount on reclassifica-tion date	Carrying amount	Fair value	Carrying amount on reclassifica-tion date	Carrying amount	Fair value	Carrying amount on reclassifica-tion date	Carrying amount	Fair value
Reclassified financial assets	544.4	660.3	627.9	645.6	731.4	712.1	645.6	746.7	719.5

in EUR million	01.07.2008		
	Carrying amount on reclassifica-tion date	Carrying amount	Fair value
Reclassified financial assets	645.6	645.6	645.6

The assets were reclassified at their carrying amounts with the expected realisable cash flows of EUR 1.0385 billion. The profit/loss recognised in equity from the reclassified securities amounted to EUR -13.2 million at the time of the reclassification. The pro rata reversal of this item is recognised in accordance with IAS 39.54 in net interest income. The effective interest rate was determined for each security. These rates range between 2.5 per cent and 5.9 per cent.

in EUR thousands	30.06.2016	31.12.2015	2008–2014
Unrealised profit/loss before taxes on date of reclassification	–	–	-13,194
Pro rata reversal in accordance with IAS 39.54	193	272	3,453

The pro rata reversal during the year-to-date reporting period in 2016 negatively impacted net interest income in the amount of EUR 193 thousand (previous year: EUR 272 thousand). The following additional effects on equity would have occurred without the reclassification (each accumulated as at the reporting date):

in EUR million	30.06.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Unrealised profit/loss before taxes	-26.8	-26.3	-36.1	-71.9	-135.2	-128.7	-32.4	-19.3	-27.1
Deferred taxes	7.8	7.7	10.5	21.0	39.5	37.1	9.3	5.5	8.0
Net effect on equity from reclassified, designated financial assets held for sale	**-19.0**	**-18.6**	**-25.6**	**-50.9**	**-95.7**	**-91.6**	**-23.1**	**-13.8**	**-19.1**

in EUR million	01.07.2008
Unrealised profit/loss before taxes	-13.2
Deferred taxes	3.9
Net effect on equity from reclassified, designated financial assets held for sale	**-9.3**

The investments in affiliated companies as at the reporting date include the carrying amount of the investment in Galimondo S.à r.l. The following table shows equity net of the revaluation reserve and the profit/loss for the period from investments accounted for at amortised cost:

Name/registered office	Share of capital	Investment carrying amount at 31.12.2015 (EUR thousands)	Equity before revaluation reserve at 31.12.2015 (EUR thousands)	Profit/loss at 31.12.2015 (EUR thousands)
Galimondo S.à r.l., Luxembourg	100%	13	56	25
Total		13	56	25

(18) Property and equipment

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Land and buildings	62.9	63.3	0
Operating and office equipment	4.2	4.0	4
Construction in progress	0.0	0.0	–
Other property and equipment	0.0	0.0	–
Total	**67.1**	**67.3**	**0**

(19) Intangible assets

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Software	**11.6**	**12.0**	**-3**
Intangible assets under development	**6.0**	**2.1**	**> 100**
Other	**0.0**	**0.0**	**–**
Total	**17.6**	**14.1**	**25**

NORD/LB CBB continues to use software that has been fully amortised.

(20) Other assets

Other assets comprise primarily deferred items and intragroup receivables.

(21) Liabilities to banks

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Deposits from other banks	**2,524.9**	**2,576.0**	**-2**
Domestic banks	56.2	25.5	> 100
Foreign banks	2,468.8	2,550.5	-3
Liabilities resulting from money market transactions	**4,336.6**	**4,550.7**	**-5**
Domestic banks	968.9	838.6	16
Foreign banks	3,367.7	3,712.1	-9
Other liabilities	**358.4**	**499.7**	**-28**
Domestic banks	157.4	298.0	-47
Due on demand	157.4	298.0	-47
With a fixed term or period of notice	0.0	0.0	–
Foreign banks	201.0	201.7	0
Due on demand	201.0	201.7	0
With a fixed term or period of notice	0.0	0.0	> 100
Total	**7,219.9**	**7,626.4**	**-5**

(22) Liabilities to customers

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Savings deposits	**0.0**	**0.0**	**–**
Liabilities resulting from money market transactions	**1,565.5**	**1,839.5**	**-15**
Domestic customers	172.3	463.5	-63
Customers abroad	1,393.3	1,376.1	1
Other liabilities	**1,549.9**	**1,381.9**	**12**
Domestic customers	131.5	178.0	-26
Due on demand	116.5	178.0	-35
With a fixed term or period of notice	15.0	0.0	> 100
Customers abroad	1,418.4	1,203.9	18
Due on demand	119.2	110.0	8
With a fixed term or period of notice	1,299.2	1,093.9	19
Total	**3,115.4**	**3,221.4**	**-3**

(23) Securitised liabilities

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Issued debt securities	3,400.5	3,114.2	**9**
Money market securities/commercial paper	0.0	0.0	**–**
Other securitised liabilities	0.0	0.0	**–**
Total	**3,400.5**	**3,114.2**	**9**

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

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

The trading liabilities include negative fair values from derivative financial instruments that are not used in hedge accounting.

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Trading liabilities	**219.6**	**204.6**	**7**
Negative fair values from derivatives in connection with:	219.6	204.6	7
interest rate risks	197.8	167.9	18
Currency risks	21.8	36.7	-41
Financial liabilities designated at fair value	**504.3**	**0.0**	**> 100**
Liabilities to banks and customers	**0.0**	**0.0**	**–**
Securitised liabilities	**504.3**	**0.0**	**> 100**
Total	**723.9**	**204.6**	**> 100**

(25) Provisions

Provisions are broken down as follows:

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Provisions for pensions and similar obligations	**3.8**	**3.8**	**0**
Other provisions	**17.8**	**18.1**	**-2**
Total	**21.6**	**22.0**	**-1**

Provisions for pensions

NORD/LB CBB has not recalculated its provisions for pensions as at 30 June 2016. The applicable discount rate for pension provisions decreased as at the reporting date to 1.8 per cent from 2.2 per cent previously. A sensitivity analysis performed on this change shows that it results in an increase of about EUR 435 thousand in the provisions for pensions. Most of this increase is recognised directly in equity without impacting the profit and loss of the period. The Bank decided against changing the provisions for pensions because the increase was immaterial.

(26) Other liabilities

Other liabilities comprise primarily deferred items and intragroup liabilities.

(27) Subordinated capital

Subordinated liabilities are repaid only after the claims of all senior creditors have been settled. They meet the requirements of the CRR to be classified as regulatory supplementary capital. This eligibility depends on the residual term.

The changes shown in the table result primarily from the maturity of a subordinated liability in June 2016.

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)	Change in %
Subordinated liabilities	58.5	114.9	-49
Participatory capital	0.0	0.0	–
Silent participations	0.0	0.0	–
Total	**58.5**	**114.9**	**-49**

Notes on financial instruments

Fair value of financial instruments

The NORD/LB CBB applies the three-stage fair value hierarchy using the Level 1 (Mark-to-Market), Level 2 (Mark-to-Matrix) and Level 3 (Mark-to-Model) terminology set out in IFRS 13.

The respective level is determined by the input data used in the measurement and reflects the market proximity of the variables included in the determination of fair value. If input data from multiple levels of the fair value hierarchy are used in the determination of fair value, the resulting fair value of the respective financial instrument is assigned to the lowest level at which the input data has a significant influence on the fair value measurement.

The fair value hierarchy sets out that a financial instrument is categorised in Level 1 if it is traded on an active market and if publicly listed market prices or prices actually traded on the over-the-counter market (OTC market) are used to determine the instrument's fair value. In addition to exchanges, quotes from other banks or market makers are used whenever observable sources of prices are used. The Level 1 prices are used without any adjustment. Level 1 financial instruments include trading assets and liabilities, financial instruments designated at fair value, financial assets recognised at fair value and other assets.

If no price quotes on an active market are available, the fair value is calculated using recognised valuation methods or models as well as by means of external pricing services if the measurement in this case is carried out either fully or in part by means of spread curves (Level 2). To measure financial instruments in these situations, valuation methods are used that are widely recognised on the market under normal market conditions (e.g. discounted cash flow methods and the Hull & White model for options) and the calculations of which are fundamentally based on inputs available on the market. A requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. Wherever possible, the respective inputs are taken from the markets on which the instruments are issued or acquired.

Measurement models are used primarily for OTC derivatives and securities listed on inactive markets. The models include a range of inputs such as market prices and other market quotations, risk-free interest rate curves, risk premiums, exchange rates and volatilities. A standard method is always used when estimates are required in individual cases, for instance when using option pricing models.

The market data used as the basis for risk controlling are employed for the Level 2 evaluations. All payments are discounted using the interest rate curve adjusted for the counterparty's credit spread. Spreads are determined based on comparable financial instruments or credit curves (for example, taking account of the respective market segment and the issuer's credit rating).

In the case of financial instruments for which there is no active market on 30 June 2016 and for which market prices cannot be used, fair value is determined in accordance with the Mark-to-Matrix method for measurement purposes using discounted cash flows.

The financial instruments in the Bank to be measured in this manner are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions in the Bank identify, analyse and value financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible. The measurement model for financial instruments in inactive markets is based on term-specific interest rates, the credit rating of the respective issuer and a reasonable interest rate on the committed capital.

The ratings of the counterparties are among the parameters used in the procedures. Insofar as these are obtained from publicly available sources, the financial instruments rated in this way are allocated to Level 2. Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives, financial instruments designated at fair value and financial assets recognised at fair value.

Financial instruments for which there is no active market and which cannot be measured completely based on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation fundamentally uses both institution-specific models as well as data which are not observable on the market. These instruments are measured either on the basis of a comparison process with market transactions for similar financial instruments or using industry-standard models. The inputs used in these methods include assumptions about cash flows, loss estimates and the discount rate, and are determined as far as possible on a near-market basis.

Financial instruments are therefore to be allocated to Level 3, provided that the procedure uses the internal ratings of the internal ratings-based approach (in accordance with the CRR) used by NORD/LB. This applies irrespective of whether the internal data for the regulatory approval test have been calibrated with data from publicly available ratings that form the basis of market participants' pricing decisions.

All measurement models applied in the Bank are reviewed periodically. The fair values are subject to internal controls and processes in NORD/LB. These controls and procedures are carried out and coordinated in the Finance and Risk Control Divisions. The models, the data used in them and the resulting fair values are regularly reviewed.

All relevant factors are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty risk and business-typical discounting factors. The mid-market price in the bid-ask spread is always used for the measurement. The financial instruments that are particularly impacted by this include securities or liabilities the fair values of which are based on prices listed on active markets and financial instruments, such as OTC derivatives, the fair values of which are determined using a valuation method and for which the mid-market price is an observable input in the valuation method.

At NORD/LB CBB the pricing of Level 1 and 2 securities is performed using a selection procedure based on fuzzy theory, which, using mathematical logic, mimics human decision-making behaviour in determining the pricing process in the calculation of the valid price. In liquid markets, the most valid price from a variety of suppliers is selected using the implemented logic. In illiquid markets, the most valid price is selected on the basis of a combination of a few specialist providers specialised in pricing and also methods based on comparable securities and spread engineering procedures. All of the procedures used are integrated into the relevant fuzzy engine. The selection process is integrated in the system and is verifiable at all times.

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

In addition, the Bank exercises its option to calculate the counterparty risk (credit value adjustment (CVA)/debit value adjustment (DVA)) based on the net risk position in accordance with IFRS 13.48. The CVA/DVA is allocated to individual transactions in the balance sheet using the relative credit adjustment approach.

As far as the counterparty risk is concerned, quoted prices are not available on active markets for some types of derivatives, which means that the fair value is determined by other valuation methods. Measurements not taking into account the credit default risk, which is only considered subsequently, are initially conducted on a regular basis. Both the credit default risk of the counterparty (CVA) and our own credit default risk (DVA) are taken into account by means of an add-on procedure.

The Bank measures secured OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). Unsecured derivatives continue to be discounted in accordance with LIBOR discounting to establish their fair value.

(28) Fair value of financial instruments

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

in EUR million	Fair value on 30.06.2016	Carrying amount on 30.06.2016	Difference on 30.06.2016	Fair value on 31.12.2015	Carrying amount on 31.12.15	Difference on 31.12.15
Assets	**11,731.4**	**11,646.9**	**84.5**	**11,020.3**	**11,029.6**	**-9.3**
Cash reserve	**27.1**	**27.1**	**0.0**	**84.1**	**84.1**	**0.0**
Loans and advances to banks	1,430.4	1,430.0	0.4	1,510.4	1,510.0	0.4
Loans and advances to customers	7,927.7	7,596.9	330.8	7,030.6	6,768.8	261.8
Financial assets	2,367.7	2,614.5	-246.7	2,435.1	2,706.5	-271.5
Risk provisioning	-21.5	-21.5	0.0	-39.9	-39.9	0.0
Loans and advances after risk provisioning	**11,704.3**	**11,619.9**	**84.5**	**10,936.1**	**10,945.4**	**-9.3**
Liabilities	**14,081.5**	**13,794.4**	**287.1**	**14,325.9**	**14,076.8**	**249.1**
Liabilities to banks	7,506.8	7,219.9	286.9	7,859.5	7,626.4	233.1
Liabilities to customers	3,084.9	3,115.4	-30.6	3,242.8	3,221.4	21.4
Securitised liabilities	3,431.2	3,400.5	30.7	3,108.8	3,114.2	-5.5
Subordinated capital	58.5	58.5	0.0	114.8	114.9	0.0

The fair values were determined using the discounted cash flow method based on the yield curves applicable on the reporting date.

The amounts shown in the “carrying amount” comprise contain the assets and liabilities listed in the balance sheet at amortised cost or at hedge fair value or full fair value. Where a hedge fair value or full fair value is recognised as the carrying amount, it is also shown in the “fair value” column.

The unrealised losses (after risk provisioning) on financial assets amounting to EUR 246.7 million were down by EUR 24.8 million compared with the previous year (EUR 271.5 million).

(29) Fair value hierarchy

The following tables show the application of the fair value hierarchy of the financial assets and liabilities stated at fair value through profit or loss or directly in equity:

30.06.2016 in EUR million	Level 1 (mark-to-market)	Level 2 (mark-to-matrix)	Level 3 (mark-to-model)	Total
Financial assets held for trading	**0.0**	**101.3**	**0.0**	**101.3**
Debt certificates and other fixed-income securities	0.0	0.0	0.0	**0.0**
Positive fair values from derivatives	0.0	101.3	0.0	**101.3**
Interest rate risk	0.0	78.1	0.0	**78.1**
Currency risk	0.0	23.2	0.0	**23.2**
Financial assets designated at fair value	**829.1**	**271.3**	**0.0**	**1,100.4**
Positive fair values from hedge accounting derivatives	**0.0**	**395.7**	**0.0**	**395.7**
Interest rate risk	0.0	395.7	0.0	**395.7**
Currency risk	0.0	0.0	0.0	**0.0**
Financial assets (on a fair value basis)	**2,039.0**	**839.3**	**0.0**	**2,878.3**
Debt certificates and other fixed-income securities	2,039.0	839.3	0.0	**2,878.3**
Shares and other non-fixed-interest securities	0.0	0.0	0.0	**0.0**
Assets	**2,868.2**	**1,607.5**	**0.0**	**4,475.7**
Financial liabilities held for trading	**0.0**	**219.6**	**0.0**	**219.6**
Negative fair values from derivatives	0.0	219.6	0.0	**219.6**
Interest rate risk	0.0	197.8	0.0	**197.8**
Currency risk	0.0	21.8	0.0	**21.8**
Financial liabilities designated at fair value	**504.3**	**0.0**	**0.0**	**504.3**
Negative fair values from hedge accounting derivatives	**0.0**	**876.3**	**0.0**	**876.3**
Interest rate risk	0.0	876.3	0.0	**876.3**
Currency risk	0.0	0.0	0.0	**0.0**
Liabilities	**504.3**	**1,095.9**	**0.0**	**1,600.2**

31.12.2015 in EUR million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Financial assets held for trading	**0.0**	**92.8**	**0.0**	**92.8**
Debt certificates and other fixed-income securities	0.0	9.6	0.0	**9.6**
Positive fair values from derivatives	0.0	83.2	0.0	**83.2**
Interest rate risk	0.0	45.9	0.0	**45.9**
Currency risk	0.0	37.3	0.0	**37.3**
Financial assets designated at fair value	**946.3**	**247.9**	**0.0**	**1,194.2**
Positive fair values from hedge accounting derivatives	**0.0**	**290.4**	**0.0**	**290.4**
Interest rate risks	0.0	231.6	0.0	**231.6**
Currency risk	0.0	58.8	0.0	**58.8**
Financial assets (on a fair value basis)	**2,161.2**	**978.4**	**0.0**	**3,139.7**
Debt certificates and other fixed-income securities	2,161.2	978.4	0.0	**3,139.7**
Shares and other non-fixed-interest securities	0.0	0.0	0.0	**0.0**
Assets	**3,107.5**	**1,609.5**	**0.0**	**4,717.1**
Financial liabilities held for trading	**0.0**	**204.6**	**0.0**	**204.6**
Negative fair values from derivatives	0.0	204.6	0.0	**204.6**
Interest rate risk	0.0	167.9	0.0	**167.9**
Currency risk	0.0	36.7	0.0	**36.7**
Financial liabilities designated at fair value	**0.0**	**0.0**	**0.0**	**0.0**
Negative fair values from hedge accounting derivatives	**0.0**	**791.8**	**0.0**	**791.8**
Interest rate risk	0.0	688.1	0.0	**688.1**
Currency risk	0.0	103.7	0.0	**103.7**
Liabilities	**0.0**	**996.4**	**0.0**	**996.4**

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

The transfers within the fair value hierarchy are summarised as follows:

01.01.2016 – 30.06.2016 in EUR million	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Financial assets held for trading	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value	14.1	0.0	0.0	0.0	0.0	0.0
Financial assets (on a fair value basis)	0.0	0.0	237.4	0.0	0.0	0.0
Assets	**14.1**	**0.0**	**237.4**	**0.0**	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

One security in the AfS category switched from Level 1 to Level 2 as a result of lower market liquidity. Eight securities in the AfS category switched from Level 2 to Level 1 as a result of improved liquidity. Approximately 4 per cent of the total stock of securities in the NORD/LB CBB portfolio was subject to level transfers.

The following level transfers took place in the previous year:

01.01.2015–31.12.2015 in EUR million	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Financial assets held for trading	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value	188.4	0.0	22.8	0.0	0.0	0.0
Financial assets (on a fair value basis)	269.3	0.0	174.0	0.0	0.0	0.0
Assets	**457.7**	**0.0**	**196.8**	**0.0**	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Two securities in the "financial assets designated at fair value" category switched from matrix evaluation (Level 2) to market evaluation (Level 1), while four securities switched from market evaluation (Level 1) to matrix evaluation (Level 2). Eight securities in the "AfS" category also switched from matrix evaluation (Level 2) to market evaluation (Level 1) and seven securities switched from Level 1 to Level 2. Approximately 4 per cent of the total stock of securities in the NORD/LB CBB portfolio was subject to level transfers.

(30) Derivative financial instruments

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

Derivative financial instruments in foreign currencies are primarily concluded in the form of forward currency transactions, currency swaps and interest-and-currency swaps. Interest rate derivatives consist primarily of interest rate swaps.

The nominal values represent the gross volume of all purchases and sales. This value is a reference value for determining reciprocally agreed settlement payments; these do not, however, represent claims or liabilities that can be shown on the balance sheet. The composition of the portfolio of derivative financial instruments is as follows:

in EUR million	Nominal values on 30.06.2016	Nominal values on 31.12.2015	Positive fair values on 30.06.2016	Positive fair values on 31.12.15	Negative fair values on 30.06.2016	Negative fair values 31.12.2015
Interest rate risk	**8,025.9**	**8,617.1**	**383.5**	**277.5**	**947.6**	**856.0**
Currency risk	**3,576.4**	**3,947.2**	**113.5**	**96.1**	**148.4**	**140.4**
Equity 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	**11,602.4**	**12,564.2**	**497.0**	**373.6**	**1,095.9**	**996.4**

The following table shows the residual terms of the derivative financial instruments:

Nominal values in EUR millions	Interest rate risk		Currency risk		Equity and other price risks		Credit derivatives	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Remaining terms to maturity								
Up to 3 months	455.2	931.8	1,663.2	2,303.0	0.0	0.0	0.0	0.0
More than 3 months & up to 1 year	805.5	839.6	545.6	401.9	0.0	0.0	0.0	0.0
More than 1 year & up to 5 years	3,407.5	3,584.6	234.1	237.7	0.0	0.0	0.0	0.0
More than 5 years	3,357.6	3,261.1	1,133.5	1,004.7	0.0	0.0	0.0	0.0
Total	**8,025.9**	**8,617.1**	**3,576.4**	**3,947.2**	**0.0**	**0.0**	**0.0**	**0.0**

The residual term is defined as the period between the reporting date and the contractual maturity.

The following table shows the positive and negative fair values of the derivative transactions broken down by their respective counterparties:

in EUR million	Nominal values		Positive fair values		Negative fair values	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Banks in the OECD	11,051.7	11,906.9	491.0	356.7	1,086.6	987.6
Banks outside the OECD	122.9	461.2	0.1	1.8	0.1	0.6
Public-sector entities in the OECD	0.0	35.0	0.0	0.0	0.0	8.2
Other counterparties (including exchange contracts)	427.8	161.2	5.9	15.1	9.3	0.0
Total	**11,602.4**	**12,564.2**	**497.0**	**373.6**	**1,095.9**	**996.4**

(31) Offsetting of financial assets and liabilities

The effects or potential effects of claims for compensation relating to the Bank's financial assets and liabilities at the end of the first half of 2016 and at 31 December 2015 is shown in the following tables:

30.06.2016 (in EUR million)	Gross amount before offsetting	Amount of offsetting	Net amount after offsetting	Master netting arrangements and similar arrangements excluding offsetting			Net amount
				Of which: financial instruments	Collateral		
					Securities as collateral	Cash collateral	
Assets	**491.0**	**0.0**	**491.0**	**-386.5**	**0.0**	**-102.1**	**2.3**
Derivatives	491.0	0.0	491.0	-386.5	0.0	-102.1	2.3
Securities lending and repurchase transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	**3,054.6**	**0.0**	**3,054.6**	**-386.5**	**-1,969.7**	**-693.2**	**5.2**
Derivatives	1,083.7	0.0	1,083.7	-386.5	0.0	-693.2	3.9
Securities lending and repurchase transactions	1,971.0	0.0	1,971.0	0.0	-1,969.7	0.0	1.2

31.12.2015 (in EUR million)	Gross amount before offsetting	Amount of offsetting	Net amount after offsetting	Master netting arrangements and similar arrangements excluding offsetting			Net amount
				Of which: financial instruments	Collateral		
					Securities as collateral	Cash collateral	
Assets	**355.7**	**0.0**	**355.7**	**-324.9**	**0.0**	**-12.4**	**18.4**
Derivatives	355.7	0.0	355.7	-324.9	0.0	-12.4	18.4
Securities lending and repurchase transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	**2,966.7**	**0.0**	**2,966.7**	**-324.9**	**-1,975.6**	**-446.8**	**219.3**
Derivatives	983.1	0.0	983.1	-324.9	0.0	-446.8	211.4
Securities lending and repurchase transactions	1,983.5	0.0	1,983.5	0.0	-1,975.6	0.0	7.9

(32) Disclosures concerning selected countries

The following table shows the balance sheet values of the transactions relating to selected countries. The disclosures by country include regional governments, municipalities and state-related companies. The Bank engages in no business with the selected countries shown in the Trading liabilities (Hft) and Designated financial liabilities reported at fair value (dFV) categories.

in EUR million	Assets available for sale		Loans and receivables	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Portugal				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/others	0.0	0.0	23.1	25.2
Total	**0.0**	**0.0**	**23.1**	**25.2**
Ireland				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	58.8	84.7
Corporates/others	0.0	0.0	0.5	0.5
Total	**0.0**	**0.0**	**59.3**	**85.2**
Italy				
Sovereign exposure	110.7	106.5	38.4	39.4
Financial institutions/insurance companies	53.4	63.1	51.1	52.7
Corporates/others	0.0	0.0	2.8	0.2
Total	**164.1**	**169.6**	**92.3**	**92.3**
Greece				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/others	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**
Hungary				
Sovereign exposure	0.0	0.0	83.0	86.6
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/others	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**83.0**	**86.6**
Spain				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	46.3	136.9	251.0	255.6
Corporates/others	0.0	0.0	2.3	2.4
Total	**46.3**	**136.9**	**253.3**	**258.0**

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

The above figures do not include any credit derivatives.

For the financial instruments categorised as available for sale with acquisition costs totalling EUR 184.8 million (previous year: EUR 282.0 million), the cumulative valuation result reported in equity for the selected countries totals EUR -18.3 million (previous year: EUR -11.3 million). No depreciation was recorded in the income statement for the period (previous year: EUR 0.0 million).

General loan loss provisions amounting to EUR 5.1 million (previous year: EUR 5.4 million) are in place for the receivables in the loans and receivables to/from the selected countries category. The fair value of these receivables in the loans and receivables categories to EUR 479.8 (previous year: EUR 517.4 million).

Additional information

(33) Regulatory information

The risk-weighted asset values and the regulatory equity have been based on IFRS since the 2008 reporting year. They have been calculated in accordance with provisions of the CRR since the 2014 reporting year.

Risk-weighted asset values

The majority of the risk at NORD/LB CBB is credit risk. The Bank applies the internal ratings-based approach to calculate the capital requirements for the majority of the portfolio. The standard approach for credit risk is applied to only a few business segments.

The Bank performs risk assessments for market price risks and operational risks and measures the equity requirements for the credit valuation adjustment (CVA) in accordance with the CRR-defined standard approach for the respective risk type.

On the reporting date of 30 June 2016, NORD/LB CBB's risk-weighted assets (RWA) were distributed as follows compared with the previous year:

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)
Credit Risk	4,091.7	3,907.9
Market-price Risk	1.7	4.0
Operational risk	175.2	213.9
Risk positions for a credit valuation adjustment (CVA)	12.8	13.7
Total	**4,281.4**	**4,139.6**

The total risk-weighted risk assets give rise to a capital requirement of EUR 342.5 million on 30 June 2016 (previous year: EUR 331.2 million).

Regulatory capital

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)
Paid-in capital	205.0	205.0
Other reserves	445.4	445.4
Intangible assets	-17.6	-14.1
Additional valuation adjustments	-5.9	-6.3
Negative effect from the calculation of the expected loss contributions	-2.3	-0.5
Core capital	**624.5**	**629.5**
Capital instruments and associated premiums	17.5	28.7
Credit risk adjustments	9.8	16.6
Deductions from supplementary capital	0.0	0.0
Supplementary capital	**27.3**	**45.3**
Equity capital	**651.8**	**674.8**

Minimum capital ratios

The Bank maintained the minimum capital ratios at all times in the 2016 reporting period and in 2015.

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)
Overall coefficient	15.2%	16.3%
Core capital ratio	14.6%	15.2%

(34) Contingent liabilities and other obligations

	30.06.2016 (in EUR million)	31.12.2015 (in EUR million)
Contingent liabilities	**141.7**	**160.0**
Contingent liabilities under rediscounted bills of exchange	0.0	0.0
Liabilities arising from guarantees and indemnity agreements	141.7	160.0
Irrevocable lending commitments	**1,724.0**	**1,401.9**
Total	**1,865.7**	**1,561.9**

(35) Events after the balance sheet date

No significant events occurred between the balance sheet date of 30 June 2016 and the preparation of these financial statements by the Board of Managing Directors on 17 August 2016.

(36) Related party disclosures

The scope of transactions with related companies and persons in 2016 and 2015 can be seen from the following lists. Changes in the group of related companies and persons lead to adjustments of the previous year's figures where necessary:

in EUR thousands	Shareholders		Persons in key functions		Other related parties	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Outstanding loans and advances	35,252	191,130	0	0	0	0
to banks	35,252	191,130	0	0	0	0
to customers	0	0	0	0	0	0
Financial assets at fair value through profit or loss	420,139	268,863	0	0	0	0
Other assets	7,914	6,886	0	0	140	13
Total assets	**463,305**	**466,880**	**0**	**0**	**140**	**13**
Outstanding liabilities	2,134,584	2,741,183	0	0	6,833	105,969
to banks	2,134,584	2,741,183	0	0	0	100,105
to customers	0	0	0	0	6,833	5,864
Securitised liabilities	1,611,841	1,304,653	0	0	46,960	46,915
Trading and hedge derivatives on liabilities side	383,817	310,590	0	0	2,753	3,561
Subordinated capital	58,548	114,857	0	0	0	0
Other liabilities	2,058	1,251	3,783	2,723	0	0
Total liabilities	**4,190,848**	**4,472,533**	**3,783**	**2,723**	**56,546**	**156,445**
	0	**0**	**7**	**0**	**0**	**0**
in EUR thousands	**01.01.2016 – 30.06.2016**	**01.01.2015 – 30.06.2015**	**01.01.2016 – 30.06.2016**	**01.01.2015 – 30.06.2015**	**01.01.2016 – 30.06.2016**	**01.01.2015– 30.06.2015**
Interest expenses	-70,664	-71,618	0	0	-772	-839
Interest income	40,975	40,843	0	0	166	49
Commission expenses	-20,173	-17,980	0	0	-1,464	-669
Commission income	0	2,304	0	0	45	182
Other income and expenses	104,226	47,967	-1,340	-1,340	1,045	-2,950
Total earnings contributions	**54,364**	**1,516**	**-1,340**	**-1,340**	**-980**	**-4,227**

(37) 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 S. Bürkle, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover
- Walter Kleine, Chairman of the Board of Directors of Sparkasse Hannover, Hanover
- Christoph Schulz, Member of the Board of Directors of Norddeutsche Landesbank Girozentrale, Hanover

Mandates

The following mandates were executed by the members of the Board of Directors of NORD/LB Luxembourg S.A. Covered Bond Bank in the first half of 2016:

Christian Veit

- Skandifinanz AG, Zurich, Member of the Board of Directors (until 14 March 2016)

Thorsten Schmidt

- NORD/LB G-MTN S.A., Luxembourg, Member of the Winding-up Board

Responsibility statement

Responsibility statement

We declare that to the best of our knowledge, these condensed interim financial statements of NORD/LB Luxembourg S.A. Covered Bond Bank as of 30 June 2016 were prepared, in material respects, in accordance with IAS 34 “Interim Financial Reporting” and that the situation of NORD/LB Luxembourg S.A. Covered Bond Bank is represented in the interim management report in accordance with the condensed interim financial statements and that the material opportunities and risks pertaining to the foreseeable development of the NORD/LB Luxembourg S.A. Covered Bond Bank are described.

Luxembourg, 17 August 2016

NORD/LB Luxembourg S.A. Covered Bond Bank

Christian Veit

CEO
Chairman of the Board of Directors
Spokesman for the Board of Directors

NORD/LB Luxembourg S.A. Covered Bond Bank

Thorsten Schmidt

Deputy CEO
Member of the Board of Directors

NORD/LB Luxembourg S.A. Covered Bond Bank