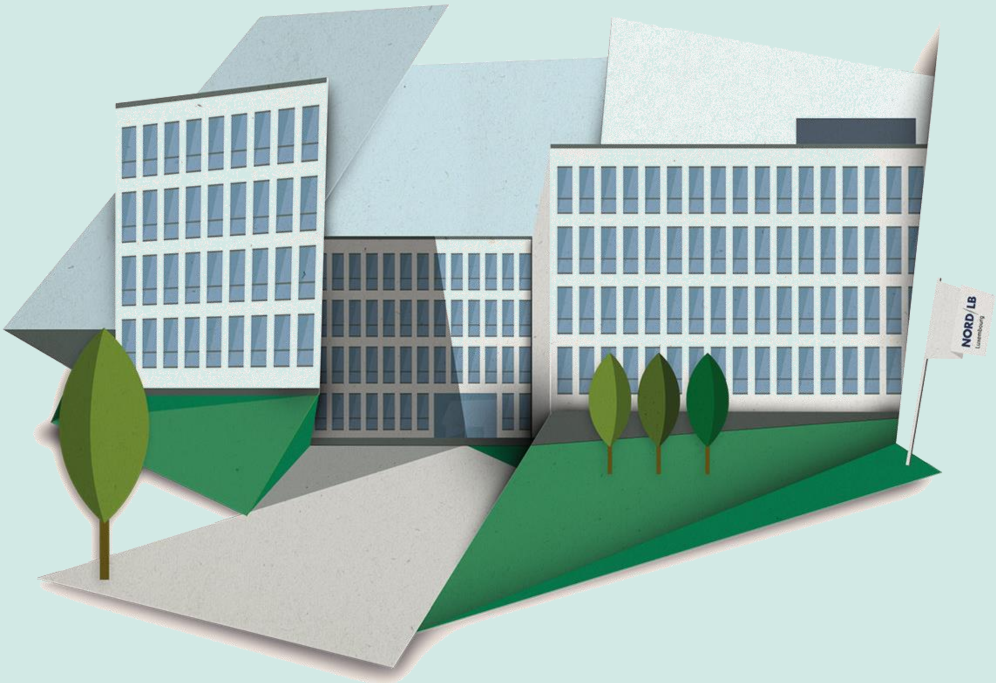
NORD/LB
Covered Bond Bank
Luxembourg



Condensed interim financial statements

according to IFRS

as at 30 June 2018

Summary of key data

Business performance	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in € million)	Change (in %)
Cash reserve	471.3	448.3	23.0	5
Trading assets	161.9	128.3	33.6	26
Financial assets mandatorilyat fair value through profit or loss	1,024.3	943.3	81.0	9
Financial assets at fair value through other comprehensive income	2,103.9	2,199.8	-95.9	-4
Financial assets at amortised cost	11,448.5	11,350.9	97.6	1
Positive fair values from hedge accounting derivatives	221.4	219.8	1.6	1
Other assets	101.4	91.9	9.5	10
Total assets	**15,532.6**	**15,382.3**	**150.2**	**1**
Trading liabilities	88.7	78.6	10.1	13
Financial liabilities designated at fair value through profit or loss	1,607.6	1,043.3	564.3	54
Financial liabilities at amortised cost	12,676.7	12,971.7	-295.1	-2
Negative fair values from hedge accounting derivatives	433.1	514.0	-80.9	-16
Provisions	13.9	14.5	-0.6	-4
Other liabilities	40.3	41.8	-1.4	-3
Reported equity	672.3	718.5	-46.2	-6
Total liabilities and equity	**15,532.6**	**15,382.3**	**150.2**	**1**

Earnings performance	First half of 2018 (€ thousand)	First half of 2017 (€ thousand)	Change (€ thousand)	Change (in %)
Net interest income	53,911	56,034	-2,123	-4
Net commission income *)	-22,002	-15,773	-6,229	39
Profit/loss from financial assets at fair value	-18,952	5,928	-24,880	< -100
Impairment result from financial instruments not measured at fair value through profit or loss	1,226	-884	2,110	< -100
Disposal result from financial instruments not measured at fair value through profit or loss	0	-236	236	< -100
Profit/loss from hedge accounting	-7,734	-3,756	-3,978	> 100
Foreign exchange result	143	-717	860	< -100
Administrative expenses	-17,876	-18,984	1,108	-6
Amortisation and depreciation	-1,300	-1,354	54	-4
Other operating profit/loss	-4,802	-4,993	191	-4
Income taxes	4,509	-3,780	8,289	< -100
Earnings after taxes	**-12,877**	**11,485**	**-24,363**	**< -100**

*) Includes commission expenses from margin sharing

Key performance indicators	First half of 2018	First half of 2017	Change	Change (in %)
Cost/income ratio in % **)	3,404.1%	55.5%	3,348.4	> 100
RoRaC in % ***)	-9.7%	8.4%	-18.1	< -100

**) For the definition of the cost/income ratio (CIR), see also Note (5).

***) For the definition of RoRaC, see also Note (5).

Key regulatory indicators	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in € million)	Change (in %)
Total risk exposure amount	4,269.4	4,244.4	25.0	1
Tier 1 capital	608.1	624.8	-16.7	-3
Own funds	608.2	627.3	-19.0	-3
Tier 1 capital ratio	14.2%	14.7%	-0.5%	-3
Total capital ratio	14.3%	14.8%	-0.5%	-4

Workforce	30.06.2018	30.06.2017	Change	Change (in %)
Number of employees	183	194	-11	-6

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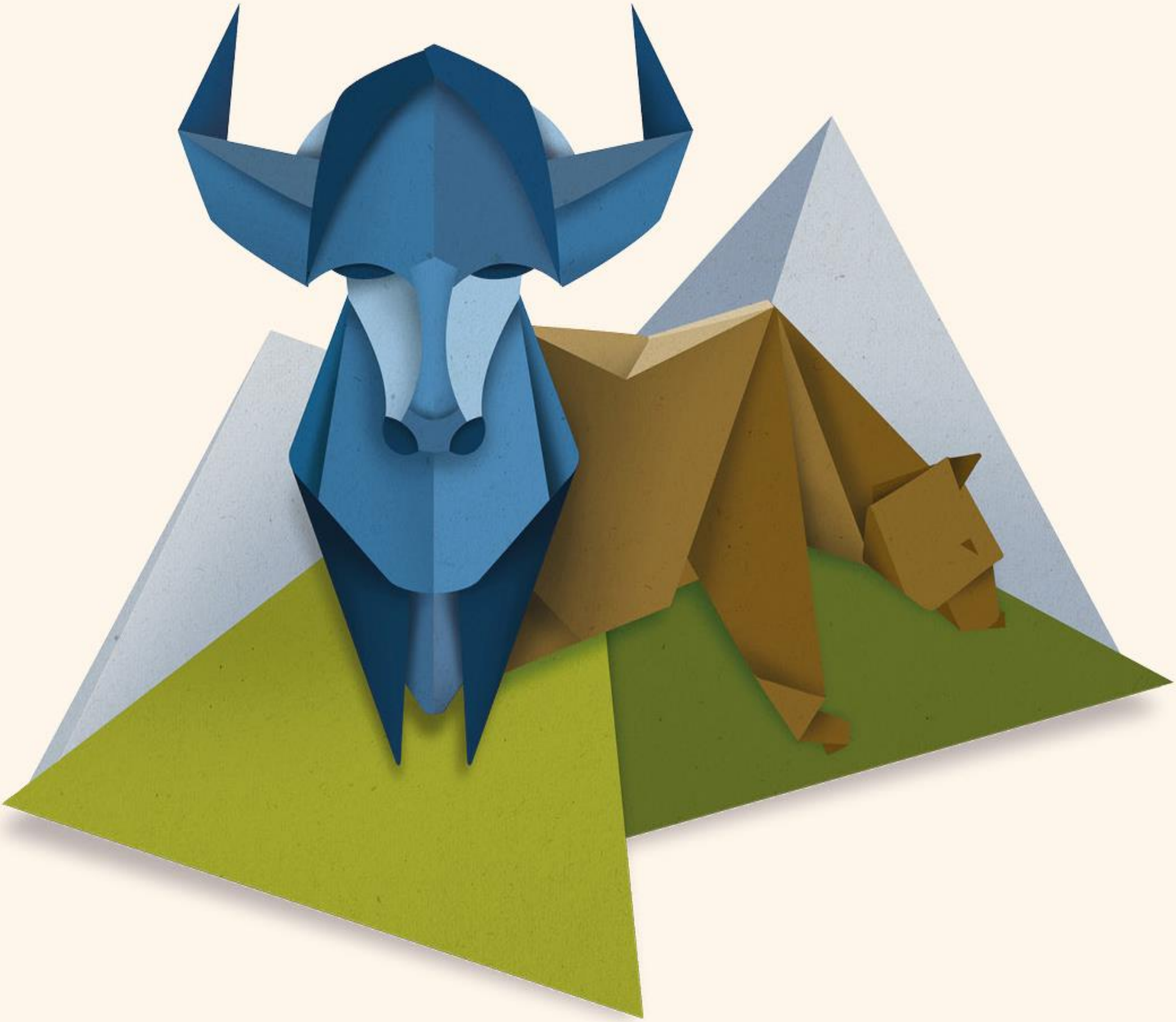


Interim management report

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.com.

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. The business segments include Financial Markets & Sales, Loans and Client Services/B2B.

NORD/LB CBB liquidated its subsidiary Galimondo S.à r.l., Luxembourg on 28 February 2018. 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 was to provide and coordinate services that are needed to construct buildings and facilities and to maintain their functionality. Due to its minor importance, Galimondo S.à r.l. has not been consolidated in the Bank’s reports under commercial law.

For the purposes of comparability, this condensed interim report of NORD/LB CBB as at 30 June 2018 refers to the balance sheet figures of the audited annual financial statements of NORD/LB CBB as at 31 December 2017, which were 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 figures for the period 1 January 2017 to 30 June 2017 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 environment

The global economy remained strong overall during the first half of 2018. Although the upswing started to falter in Europe, the US saw robust annualised economic growth of 2.2 per cent in the first quarter and 4.1 per cent in the spring.

Growth in the eurozone slowed at the start of the year. Real gross domestic product (GDP) in the single-currency area expanded by merely 0.4 per cent per quarter during the first half. Although economic growth was also dampened by several short-lived special events, such as strikes, flu outbreaks and weather conditions, the influence of these adverse effects accounts for only some of the weakness compared to the unquestionably strong economy in 2017. Still, the unemployment rate continued to fall, coming in at just 8.3 per cent by mid-year. The inflation rate climbed to 2.1 per cent in July – the highest it has been since the end of 2012.

The German economy expanded in tandem with that of the eurozone. Real GDP for the first quarter rose 0.4 per cent versus the previous quarter, and at 0.5 per cent, was somewhat higher in spring. Rising energy prices in particular pushed consumer prices higher during the first half. At mid-year, the inflation rate had passed the 2.0 per cent mark. The key driver of growth remained domestic demand, particularly private consumption and construction activity. Employment figures continued to improve. By mid-year the number of people working rose to a seasonally-adjusted 44.8 million.

The unease created by US President Donald Trump's protectionist course left its mark on the capital markets in the first half. In just two months the German DAX equity index fell almost 1,900 points from its peak in January. In the months thereafter the German benchmark index hovered around the 12,500 point mark. Further support was lent by the overall loose monetary policy of the major central banks. That said, the US Federal Reserve (Fed) continued to raise interest rates by hiking the target range for the Fed Funds Target Rate by 25 basis points in both March and June. It also continued its plan to gradually reduce its balance sheet. In contrast, the European Central Bank (ECB) maintained its very expansive monetary policy. In June, however, the ECB announced that in autumn it would again slow its rate of net purchases of bonds under its Expanded Asset Purchase Programme (EAPP) to € 15 billion / month. Net purchases will also be discontinued as of the end of the year, although maturing bonds in the programme will be reinvested for some time to come. Key rates remained at historic lows. As net purchases are coming to an end, the forward guidance for the purchase programme and interest rates had to be adjusted. The ECB Council is continuing its cautious phase-out strategy, even in light of increased risks facing the global economy. European capital market rates were trending clearly upward at the start of the year. Yields on ten-year German government bonds reached a high for the year at a good 0.8 per cent in February, but at the end of May they briefly fell below 0.2 per cent owing to the turbulent attempts to form a new government in Italy and the escalating trade war. Since then they have stayed between 0.3 and 0.5 per cent. By contrast, money market rates for the euro have remained almost constantly in negative territory. The US dollar profited from the more rigid US monetary policy and increased uncertainty, and the common European currency fell from its high for the year of 1.25 to 1.15 USD per EUR. Nevertheless, EUR/USD basis swap spreads contracted considerably in the first half, and moving at mid-year within a range of -15 basis points across all maturities.

Global economic outlook

The global upturn will likely decelerate only slightly over the near term. The US economy is performing better than in the previous year due in part to the tax reform passed there. For the year as a whole, real gross domestic product is expected to increase by 2.8 per cent. In the eurozone, the upturn will continue over the coming quarters, albeit at a slower pace. Unemployment will therefore continue to decline, while inflation rates in the single-currency area are likely to remain just under 2.0 per cent this year and next year, and thus close to the inflation target set by the European Central Bank (ECB).

Economic forecast for Germany and the eurozone

The German economy has lost momentum compared to the previous year, but it is still expanding. Following the slowdown in the first half of 2018, with considerably lower GDP growth than in the previous year, we expect to see a continuation of economic growth in the second half of 2018, with expansion rates close to or even above the economy's potential. As regards industrial production, the fundamentally positive trend is likely to continue given the very high backlog of open orders. Sentiment among German enterprises has deteriorated recently though. This is mainly due to the risk that the trade dispute with the US might intensify. However, the ifo business climate index, the key indicator of sentiment, has edged lowered only slightly in the months following its sharp fall in the first quarter, and stood at 101.7 points in July. It is conspicuous that the surveyed companies express highly different opinions regarding the current state of business and their expectations for performance over the next six months. This divergence reflects the high degree of uncertainty caused by global risks. Consumer confidence, on the other hand, has remained quite stable thanks to the positive labour market and wage trends. For that reason NORD/LB forecasts further support for economic growth from private consumption. NORD/LB's economic forecast anticipates growth this year of 1.9 per cent.
The overall economic prospects for the eurozone have deteriorated somewhat as well, although in principle the sentiment indicators published by the EU Commission point to moderate growth. The fall in unemployment continues. For the year as a whole, NORD/LB anticipates real economic growth of 2.0 per cent year-on-year, followed by somewhat less than 2.0 per cent in the coming year. Monetary policy will remain highly accommodative for the time being, making for a favourable monetary environment. The biggest downside risks for the forecast are protectionist trade policies from the US administration, geopolitical conflicts, the Brexit negotiations and the new government in Italy.

Financial market performance and interest rate forecasts

The Fed in the second half of the year will continue its policy of moderately increasing interest rates and gradually scaling back its balance sheet. However, NORD/LB expects only one further interest rate hike by the end of the year. In contrast, the ECB will continue its very expansive monetary policy, as announced, and halt its net purchases under the EAPP as of the end of 2018. As long as the economic data do not deteriorate further, an initial hike in interest rates is likely in September 2019, at first probably for the deposit rate. For the capital market rates, NORD/LB in this baseline scenario expects a further rise. The yield on German government bonds with a 10-year residual term should rise to 0.7 per cent by the end of 2018. As regards the USD exchange rate, NORD/LB forecasts a rate of USD 1.20 per € based on a twelve-month horizon. In the short to medium term, NORD/LB expects EUR/USD basis swap spreads to remain at around -15 basis points over the entire yield curve.

Covered bond markets and Lettres de Gage Publiques

The covered bond market was characterised by high issuing activity on the primary market in the first half of 2018. Therefore, the issue volume at mid-year was only higher in one year (2016) since 2012. The lively issuing activity was driven by the expectation of widening spreads towards the end of the purchase programme, which was in fact announced by the ECB on 14 June.

In the first six months of this year, 108 issues (H1 2017: 91) were placed on the market in the segment of €-denominated covered bonds in benchmark format. The total volume of these issues was € 86.7 billion (H1 2017: € 76.0 billion). The largest percentage is accounted for by issuers from France (€ 16.8 billion, 20.3 per cent), closely followed by German issuers (€ 16.15 billion, 19.5 per cent). Issues from the Netherlands, Canada, Norway and Finland then lag far behind. It is worth noting that the percentage of issues from the periphery declined substantially in the first half of the year.

The trend seen in previous years towards longer issue maturities has continued so far this year. It now stands at 9 years, up from 8.6 years in 2017. On the investor side, German buyers once again demonstrated the highest level of demand for covered bonds, accounting for just under half of the issue volume, followed by buyers from France and the Benelux countries with around 10 per cent each.

While the spread level at the end of 2017 was at its lowest for many years in numerous jurisdictions, the first six months of this year were characterised by widening spreads. One of the reasons for this widening is that issuers brought forward their issuing activity to the first half of the year in anticipation of the upcoming end of the Eurosystem's purchasing activity and the associated expansion of spreads. This new issue volume led to higher net supply, which in turn resulted in a broadening of spreads. The extent of the spread widenings varied, amounting to around 5 basis points (bp) for issues from Germany and approx. 10 bp for issues from France, whereas the spreads of Italian covered bonds extended substantially due to uncertainties about the formation of a government (30-40 bp).

Although NORD/LB CBB covered bonds did not completely escape the trend towards widening spreads, they expanded by only about 2 to 3 basis points. They thus outperformed almost all other jurisdictions.

Development of the business segments

Financial Markets & Sales

The core activities of Financial Markets & Sales at NORD/LB CBB are funding, bank management and sales, with a particular focus on the expansion of sales.

Long-Term Funding

Long-Term Funding encompasses the management of the cover pool 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, is on the business with Lettres de Gage, especially for the medium and long terms. In uncovered issues the maturities are in the short- and medium-term segment.

The covered bond activities carried out from Luxembourg are a supplemental component of the funding for NORD/LB. They provide a valuable contribution to refinancing the core activities of the NORD/LB Group.

Long-Term Funding is the point of contact for the ratings agencies in the context of methodology discussions and changes.

In addition, Long-Term Funding represents the Bank in key national and international committees and working groups relating to the Luxembourg covered bond.

ALM/Treasury

Within the Financial Markets & Sales department, ALM/Treasury is responsible for centralised management of all liquidity, interest and currency risks. It 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 coordination 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 inbank 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 in consideration of 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, bonds of sovereigns, supranationals and agencies (SSAs) and issues from German states.

The Group also intends to diversify refinancingsources geographically 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 Bank does not take on proprietary risks.

Performance in Financial Markets & Sales

After NORD/LB CBB focused on establishing a Lettres de Gage benchmark curve in euros in recent years, a US dollar benchmark issue was placed on the market in February 2018, marking the first LdG-USD issue since 2007.

The bond in the amount of USD 650 million with a three-year maturity was very well received on the market. 34 investors from 14 countries ensured an order book of more than one billion US dollars. The lion's share of investors were Scandinavian (42 per cent), followed by German investors (21 per cent) and French buyers (16 per cent). Broken down by investor group, central banks and public-sector institutions led the way with 47 per cent, followed by banks (29 per cent) and fund managers (22 per cent). This issue marked a further successful step by NORD/LB CBB and thus by the NORD/LB Group to broaden its investor base beyond its current, firmly established group of buyers of euro-denominated covered bondproducts.

As at 30 June 2018, nominal over-collateralisation came to 24.7 per cent and to 29.1 per cent in present value terms. This means that both the statutory (2 per cent) and voluntary (22 per cent) obligations were comfortably met. In terms of cover assets, 78.6 per cent were from Europe (43.4 per cent from Germany), reflecting the successful implementation of the business strategy.

The law governing the financial sector with regard to the introduction of renewable energy covered bonds, which was adopted on 22 June of this year, will enable NORD/LB CBB to expand the funding opportunities for the NORD/LB Group.

Fixed Income/Structured Products Sales Europe was also able to expand its business activities on the primary market further.

Loans

The allied lending business with other Group units is the core business of NORD/LB CBB. NORD/LB CBB offers the NORD/LB Group unique added value, particularly with respect to its financing of credit transactions that qualify for the Lettres de Gage Publiques. For this reason, the lending business eligible for the cover pool in Luxembourg is recognised within NORD/LB CBB across the Group. In terms of products, the Bank's focus in the allied lending business is on variable-interest loans and short-term fixed-rate loans in different currencies.

Factoring

Alongside traditional lending business, the Bank specialises in factoring (primarily individual and pool acquisitions). NORD/LB's factoring business offers tailored solutions for individual customers. Within the NORD/LB Group, this business is mainly handled by NORD/LB CBB. This line of business represents an important and strategically significant growth area of NORD/LB AÖR and NORD/LB CBB, and is operated in close cooperation with the Group.

Performance in Loans

The allied lending business is focused on collaborating with partners from NORD/LB's Corporate Customers, Structured Finance, Maritime Industries and Aircraft Finance departments. New business trends were positive, leading to an increase in the lending portfolio eligible for cover pooling with these areas.

The PPP business (public private partnership) and the lending business with publicly owned companies comprise the Bank's core activities, supported by selective business secured with export credit insurance. The geographical focus of new business is on the European core countries, in addition to selected new business from Asia. These loans serve as a cover pool for issuing Lettres de Gage Publiques. Covered funding enabled the Bank to expand its market share despite high competitive pressure.

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 incomes without RWA linkage, thus further diversifying earnings risk. In accordance with the business strategy of the Bank, the activities focus on customers within the Group.

Outlook

The first half of 2018 began with good economic data, although momentum was considerably diminished. This means that the positive performance of the previous year will probably continue in 2018. The protectionist course of the US will continue to cause uncertainty on the capital markets in the second half of 2018. The monetary policy of the US Fed continues to focus on a moderate increase in key rates, while the ECB will halt its net purchases under the EAPP as of the end of 2018. This very expansionary monetary policy will provide a favourable monetary setting. As long as the economic data do not deteriorate further, we expect an initial hike in interest rates in September 2019, at first probably for the deposit rate.

The Group-wide “One Bank” transformation programme launched in the first quarter of 2017 has gotten off to a positive start, and initial measures have been implemented. By stabilising and strengthening its earnings level, the Group seeks to lay a foundation for a solid capital base. Boosting cost efficiency by substantially simplifying the Group’s structures and streamlining the operating model remains another area of focus.

As a wholly owned subsidiary of NORD/LB, NORD/LB CBB is also part of this transformation programme and contributes to transformation efforts with its RefiCo project (Refinancing Competence Center). Based on the requirements set forth by the Steering Committee on 24 April 2018, NORD/LB CBB approved a further examination of its business model to identify additional optimisation potential. Overall, this review aims to sustainably reduce administrative expenses to around € 28 million by 2021. The second half of 2018 will thus also be marked by expenses to implement these examinations and the corresponding measures.

NORD/LB CBB’s streamlined business model will continue to focus on funding credit transactions that qualify for Lettres de Gage. Factoring, as a product of excellence in the Corporate Customer segment of NORD/LB, will also continue to be serviced by NORD/LB CBB. This segment’s further expansion will be supported by digitisation initiatives regarding both internal processes and interaction with customers. In the context of RefiCo, the Group decided that effective 1 September 2018 the new lending business not eligible for cover pooling will be consolidated within NORD/LB GZ.

On 22 June 2018, the amendment of the law of 5 April 1993 governing the financial sector with regard to the introduction of renewable energy covered bonds came into effect. This means the creation, for the first time, of a statutory framework for a covered bond class secured with the financing of renewable energies.

The activities at a European level to harmonise covered bond legislation are in full swing. NORD/LB CBB will do all it can to defend the status of Lettres de Gage as a successful covered bond product in Europe. To this end, it is engaged in an open and constructive dialogue with the national and European institutions and interest groups that are involved in the harmonisation process.

Financial Markets continues to provide refinancing services by offering covered funding of asset portfolios through the issue of both private placements and in benchmark size. This includes a strong focus on active management of the cover pool. The sales mandate for European institutional customers of the NORD/LB Group will also be maintained. Process simplifications and, as appropriate, closer cooperation with the Group on individual matters related to the activities of Financial Markets, will also have an impact on the capacity of the trading and near-market functions.

In future, the Client Services & B2B business segment will prioritise the servicing of Group-internal customers and will grow into its role as a Group-internal service provider that systematically focuses on the interests of the Group.

NORD/LB CBB ratings

As at 30 June 2018, NORD/LB CBB's ratings were as follows:

	FitchRatings	Moody's
NORD/LB Luxembourg S.A. Covered Bond Bank		
Long-term / Outlook / Short-term	A- / negative / F1	Baa3 / negative / P-2
Lettres de Gage Publiques / Outlook	AAA / stable	Aa3

On 12 December 2017, Moody's confirmed the long-term issuer rating of "Baa3" with a negative outlook. The short-term issuer rating remains unchanged at "P-2". On 19 March 2018, FitchRatings confirmed the long-term issuer default rating (IDR) of "A-", with a "negative" outlook. The short-term issuer default rating was confirmed at "F1".

The Moody's rating for the Luxembourg covered bond Lettres de Gage Publiques of 11 August 2017 remains unchanged at "Aa3". FitchRatings on 26 January 2018 confirmed its rating for Lettres de Gage Publiques at "AAA" with a stable outlook.

The quality of the loan portfolio and the cover assets contained in the cover pool remains high and is reflected in the very good ratings from FitchRatings (Fitch) and Moody's Investors Service (Moody's).

Earnings position

The interim financial statements of NORD/LB CBB dated 30 June 2018 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 2017 to 30 June 2017, 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:

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Net interest income	53,911	56,034	-2,123
Net commission income	-22,002	-15,773	-6,229
Profit/loss from financial assets at fair value	-18,952	5,928	-24,880
Impairment result from financial instruments not measured at fair value through profit or loss	1,226	-884	2,110
Disposal result from financial instruments not measured at fair value through profit or loss	0	-236	236
Profit/loss from hedge accounting	-7,734	-3,756	-3,978
Foreign exchange result	143	-717	860
Profit/loss from shares in companies	0	0	0
Administrative expenses	-17,876	-18,984	1,108
Amortisation and depreciation	-1,300	-1,354	54
Other operating profit/loss	-4,802	-4,993	191
Earnings before taxes	**-17,387**	**15,266**	**-32,652**
Income taxes	4,509	-3,780	8,289
Net profit	**-12,877**	**11,485**	**-24,363**

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

The breakdown of earnings components is as follows:

Net interest income

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Interest income	223,534	237,883	-14,349
Interest expenses	-172,063	-184,498	12,434
Interest anomalies	2,440	2,649	-209
Net interest income	**53,911**	**56,034**	**-1,914**

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

Net interest income fell slightly compared with the previous year period.

This decline results mainly from a marginal decrease in the interest-bearing securities and lending business. Furthermore, the earnings contributions from new business are below the earnings realised on expiring old business.

Net commission income

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (in € thousand)
Commission income	5,445	8,177	-2,732
Commission expenses	-27,446	-23,950	-3,497
Net commission income	**-22,002**	**-15,773**	**-6,229**

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

Net commission income fell year-on-year by € 6,229 thousand to € -22,002 thousand.

Commission income was generated principally in lending and guarantee business (€ 2,374 thousand; previous year: € 3,838 thousand) and the security transactions and custody service business (€ 2,872 thousand; previous year: € 4,001 thousand). Other commission income (€ 198 thousand; previous year: € 338 thousand) arose mainly from account management and services business.
Commission expenses arose principally in the areas of brokerage business (€-19,559 thousand; previous year: € -12,393 thousand), lending and guarantee business (€ -6,335 thousand; previous year: € -9,656 thousand) and other commission expenses (€ -1,552 thousand; previous year: € -1,901 thousand).
The sharp rise in commission expenses from the brokerage business resulted from an adjusted margin sharing arrangement between the Bank and NORD/LB.

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

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Trading profit/loss	-14,342	3,126	-17,467
Financial assets mandatorily at fair value through profit or loss	-3,545	0	-3,545
Financial instruments designated at fair value through profit and loss	-1,066	2,802	-3,868
Profit/loss from financial assets at fair value including hedge accounting	**-18,952**	**5,928**	**-24,880**

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

Profit/loss from financial instruments at fair value through profit or loss (€ -18,952 thousand; previous year: € 5,928 thousand) shows the trading profit/loss proper, the profit/loss from financial instruments managed at fair value and profit/loss from financial instruments to which the fair value option is applied. The trading profit/loss (€ -14,342 thousand; previous year: € 3,126 thousand) essentially results from negative base effects of cross-currency swaps in economic hedges with underlying transactions in foreign currency. The profit/loss from financial assets mandatorily at fair value through profit or loss results almost exclusively from securities managed in a portfolio at fair value.

Impairment result from financial instruments not measured at fair value through profit or loss

Changes in **loan loss provisions** resulted in income of € 1,226 thousand (previous year: expense of € 884 thousand). This was largely the result of a reduction in impairments on immaterial default risks in Stages 1 and 2 when the Bank converted its risk provisioning to IFRS 9.

Disposal result from financial instruments not measured at fair value through profit or loss

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Financial assets at fair value through other comprehensive income	0	-255	255
Financial assets at amortised cost	0	19	-19
Financial liabilities at amortised cost	0	0	0
Disposal result from financial instruments not measured at fair value through profit or loss	**0**	**-236**	**236**

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

The disposal **result from financial instruments not measured at fair value through profit or loss** improved by € 236 thousand to € 0. No securities or loans were sold during the reporting period.

Profit/loss from hedge accounting

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Profit/loss from hedged underlying transactions	-55,410	-52,559	-2,851
Profit/loss from derivatives employed as hedging instruments	47,675	48,803	-1,127
Profit/loss from hedge accounting	**-7,734**	**-3,756**	**-3,978**

The changes in the **profit/loss from hedge accounting** (€ -7,734 thousand; previous year: € -3,756 thousand) are the result of market interest fluctuations as well as OIS and CVA/DVA effects.

Foreign exchange result

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Foreign exchange result	**143**	**-717**	**860**

Administrative expenses

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Staff expenses	**-10,268**	**-10,813**	**545**
- Wages and salaries	-8,983	-9,345	361
- Social insurance contributions and expenses for pensions	-1,285	-1,469	184
Other administrative expenses	**-7,608**	**-8,170**	**563**
Administrative expenses	**-17,876**	**-18,984**	**1,108**

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

Administrative expenses were € 1,108 thousand lower than in the previous year. The decline is primarily attributable to a reduction in staff and project costs.

Amortisation and depreciation

Amortisation and depreciation of property and equipment as well as intangible assets fell by € 54 thousand to €-1,300 thousand.

Other operating profit/loss

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Other operating income	2,611	658	1,953
Other operating expenses	-7,413	-5,650	-1,763
Other operating profit/loss	**-4,802**	**-4,993**	**191**

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

Other operating profit/loss improved by € 191 thousand to € -4,802 thousand.

Other operating income (€ 2,611 thousand; previous year: € 658 thousand) essentially includes prior-period income from the reimbursement of VAT (€ 2,088 thousand) and rental income (€ 354 thousand).

Other operating expenses (€ -7,413 thousand; previous year: € -5,650 thousand) comprise cost allocations with the NORD/LB Group (€ -1,771 thousand; previous year: € -1,466 thousand) and the bank levy (€ -5,390 thousand; previous year: € -3,982 thousand).

Income taxes

	01.01.2018-30.06.2018 (€ thousand)	01.01.2017-30.06.2017 (€ thousand)	Change*) (€ thousand)
Current taxes	0	-3,976	3,976
Deferred taxes	4,509	196	4,313
Income taxes	**4,509**	**-3,780**	**8,289**

*) 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. The negative result caused deferred income taxes to be positive, in contrast to the previous year period.

Net assets and financial position

For the purposes of comparability with 31 December 2017, these condensed interim financial statements of NORD/LB CBB as at 30 June 2018 refer to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2017, which was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in € million)
Cash reserve	471.3	448.3	23.0
Trading assets	161.9	128.3	33.6
Financial assets mandatorilyat fair value through profit or loss	1,024.3	943.3	81.0
Financial assets at fair value through other comprehensive income	2,103.9	2,199.8	-95.9
Financial assets at amortised cost	11,448.5	11,350.9	97.6
Positive fair values from hedge accounting derivatives	221.4	219.8	1.6
Other assets	101.4	91.9	9.5
Total assets	**15,532.6**	**15,382.3**	**150.3**
Trading liabilities	88.7	78.6	10.1
Financial liabilities designated at fair value through profit or loss	1,607.6	1,043.3	564.3
Financial liabilities at amortised cost	12,676.7	12,971.7	-295.1
Negative fair values from hedge accounting derivatives	433.1	514.0	-80.9
Provisions	13.9	14.5	-0.6
Other liabilities	40.3	41.8	-1.4
Reported equity	672.3	718.5	-46.2
Total liabilities and equity	**15,532.6**	**15,382.3**	**150.2**

Total assets rose slightly from € 15,382.3 million as at 31 December 2017 to € 15,532.6 million, an increase of € 150.2 million.

The **cash reserve** includes balances with central banks and is almost unchanged.

The item **Trading assets** consists largely of derivatives that do not qualify for hedge accounting but are in economic hedging relationships (€ 139.5 million; previous year: € 127.1 million).

The **financial assets mandatorily at fair value through profit or loss** of € 1,024.3 million increased slightly year-on-year (previous year: € 943.3 million).

The category **Financial assets at fair value through other comprehensive income consists** exclusively of debt securities and other fixed-interest securities totalling € 2,103.9 million (previous year: € 2,199.8 million).

The item **Financial assets at amortised cost** includes debt securities and other fixed-interest securities of € 1,785.9 million (previous year: € 1,968.0 million), loans and advances to banks totalling € 1,186.8 million (previous year: € 764.9 million) and loans and advances to customers totalling € 8,475.9 million (previous year: € 8,618.0 million).

Loans and advances to banks primarily includes money market transactions (€ 997.2 million; previous year: € 444.7 million), receivables from reverse repo transactions (€ 174.9 million; previous year: € 228.2 million) and promissory notes (€ 10.2 million; previous year: € 91.6 million).

In line with the Bank's strategy, loans and advances to customers largely consist of loan receivables in the amount of € 8,357.7 million (previous year: € 8,369.4 million). In addition to this, there are also receivables from reverse repo transactions (€ 86.4 million; previous year: € 222.2 million), receivables from promissory notes (€ 25.0 million; previous year: € 25.2 million), and loans and advances resulting from money market transactions (€ 4.7 million; previous year: € 3.9 million).

Positive fair values from hedge accounting derivatives of € 221.4 million (previous year: € 219.8 million) are almost unchanged over the previous year.

The largest items in **Other assets** of € 101.4 million (previous year: € 91.9 million) are property and equipment (€ 64.6 million; previous year: € 65.3 million) and intangible assets at € 25.5 million (previous year: € 22.1 million).

The item **Trading liabilities** essentially includes derivatives that are largely in economic hedges (€ 88.7 million).

Financial liabilities designated at fair value through profit or loss (€ 1,607.6 million) comprise solely own issues recognised in the balance sheet as designated at fair value due to an accounting mismatch (previous year: € 1,043.3 million).

In the first half of the year, Lettres de Gage with a nominal volume of USD 650 million were issued. Furthermore, registered covered bonds in the amount of € 30.0 million were issued.

The item **Financial liabilities at amortised cost** totalling € 12,676.7 million (previous year: € 12,971.7 million) includes liabilities to banks at € 5,525.4 million (previous year: € 6,011.1 million), liabilities to customers of € 3,404.8 million (previous year: € 3,210.7 million) and securitised liabilities totalling € 3,746.5 million (previous year: € 3,750.0 million).

Liabilities to banks include money market transactions (€ 3,309.9 million; previous year: € 3,313.1 million), pass-through loans (€ 1,519.0 million; previous year: € 1,504.0 million), repo transactions (€ 599.8 million; previous year: € 1,079.9 million), registered covered bonds (€ 32.6 million; previous year: € 55.4 million) and debt securities (€ 27.8 million; previous year: € 28.4 million). The decrease in liabilities is mainly due to a decline in the business with repo transactions of € 480.1 million.

Liabilities to customers in the amount of € 3,404.8 million (previous year: € 3,210.7 million) consist of money market transactions and issued Lettres de Gage. The planned growth in Lettres de Gage that were purchased by institutional investors was sustained in the financial year (€ 1,436.7 million; previous year: € 1,412.0 million). The maturity dates for these are between 2018 and 2044.

Securitised liabilities changed only slightly when compared with the end of the previous year.

Provisions include provisions for reorganisation measures totalling € 7.9 million, and provisions for pensions and other obligations of € 3.7 million.

Other liabilities essentially comprise income tax liabilities (€ 30.0 million).

The Bank's **Reported equity** at 30 June 2018 came to € 672.3 million (previous year: € 718.5 million).

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

Risk report

The NORD/LB CBB risk report for 30 June 2018 was prepared in accordance with IFRS 7.

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

NORD/LB CBB's annual report as at 31 December 2017 contains a detailed presentation of NORD/LB CBB's risk management and the corresponding structural and process organisation, the procedures implemented and the methods of risk measurement and monitoring. These condensed interim financial statements therefore describe only significant developments in the reporting period.

Risk management

The fifth amendment of the German Minimum Requirements for Risk Management (MaRisk), which was published and came into effect in October 2017, has resulted in changes to risk management requirements. They relate, in particular, to data aggregation and reporting, the risk culture and outsourcings. While clarifications of existing provisions must be applied immediately, an implementation period until 31 October 2018 applies for so-called reforms. To that end the Bank established a working group, which identified the points that are of relevance to it and began their implementation. A central aspect is the introduction of a monthly overall risk report as at 30 September 2018. It will replace a number of existing reports, including the report on risk-bearing capacity, the credit portfolio report and the liquidity concentration risk report.

Development of risk-bearing capacity in the first half of 2018

There were no significant changes in the Bank's risk-bearing capacity in the first half of 2018. The regulatory capital requirements and internally defined target ratios were substantially exceeded at all times.

The table below shows the utilisation of risk capital in the business case for NORD/LB CBB as at 30 June 2018 and as at 31 December 2017:

Risk-bearing capacity				
in EUR million	**30.06.2018**		**31.12.2017**	
Risk capital	**529**	**100%**	**462**	**100%**
Credit risk	130	25%	134	29%
Market price risk	43	8%	45	10%
Liquidity risk	50	9%	42	9%
Operational risk	16	3%	16	3%
Total risk potential	**240**		**237**	
Utilisation		**45%**		**51%**

The utilisation of the available risk capital by the risk potential in the business case fell slightly compared to 31 December 2017 (- 6 percentage points). Credit risks, which still account for the largest share of risk, declined slightly in the first half of the year, as did market-price risks. The substantial increase in liquidity risk, which results from new lending business in the medium-term segment, leads to a marginal increase in risk potential at the overall Bank level. The improved risk capital utilisation rate consequently results from the significant rise in risk capital. This increase is attributable to several factors, particularly lower capital requirements, as the Bank does not have to apply an additional capital surcharge during the reporting year as a result of the supervisory review and evaluation process (SREP assessment).

The risk strategy requirements in respect of the maximum permissible limit utilisation at the level of the material risk types continue to be met as at the reporting date of 30 June 2018.

The Bank’s expectation for the remainder of the year is that the risk capital utilisation rate will be stable and that the Bank will be clearly in compliance with supervisory capital requirements.

Credit risk

The maximum amount of default risk exposure for on-balance-sheet and off-balance-sheet financial instruments stood at € 17.3 billion on the reporting date, equivalent to a slight increase of 3.4 per cent when compared with 31 December 2017. The increase resulted essentially from loans and advances to banks and open credit commitments, while financial assets, in particular, are down.

Risk-bearing financial instruments	**Maximum default risk exposure**	
in EUR million	30.06.2018	31.12.2017
Loans and advances to banks	1,186.8	764.9
Loans and advances to customers	8,479.6	8,627.0
Financial assets at fair value through profit or loss	1,186.2	1,071.6
Positive fair values from hedge accounting	221.4	219.8
Financial assets	3,889.8	4,167.8
Subtotal	**14,963.6**	**14,851.1**
Warranties for third-party accounts	109.1	127.1
Credit commitments not yet disbursed	2,217.7	1,741.6
Total	**17,290.4**	**16,719.8**

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 35.0 per cent (previous year: 44.9 per cent) in the calculation of credit exposure, whereas collateral is not taken into account.

Analysis of credit exposure

Credit exposure is down slightly compared with 31 December 2017. This decrease, which is due to a modest decline in the volume of securities and to a slight drop in loan drawdowns, resulted in a total exposure of € 16.8 billion as at the reporting date.

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:

Rating structure [1) 2)] in EUR million	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
	30.06.2018				**30.06.2018**	**31.12.2017**
very good to good	8,878.3	4,476.0	308.6	686.5	**14,349.4**	**14,495.5**
good / satisfactory	1,193.9	351.7	0.0	80.2	**1,625.7**	**1,855.4**
acceptable / adequate	306.7	26.1	0.0	40.1	**372.9**	**315.5**
increased risk	312.2	95.9	0.0	0.0	**408.1**	**497.0**
high risk	32.6	0.0	0.0	0.0	**32.6**	**38.5**
very high risk	22.9	0.0	0.0	0.0	**22.9**	**23.2**
Default (=NPL)	19.2	0.0	0.0	0.0	**19.2**	**24.6**
Total	**10,765.9**	**4,949.7**	**308.6**	**806.8**	**16,830.9**	**17,249.6**

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 (85.3 per cent) is rated as “very good to good”. The ongoing very 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)] in EUR million	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
	30.06.2018				**30.06.2018**	**31.12.2017**
Financing institutions / insurance companies	3,032.0	2,583.6	305.9	29.3	**5,950.8**	**5,940.4**
Services / other	3,041.8	2,116.8	2.1	170.5	**5,331.1**	**5,679.0**
- of which real estate and housing	*197.4*	*0.0*	*0.0*	*19.8*	***217.2***	***161.7***
- of which public administration	*67.3*	*2,097.1*	*0.0*	*2.6*	***2,166.9***	***2,439.4***
Transportation / communication	712.3	24.8	0.5	64.2	**801.9**	**769.0**
- of which shipping	*31.7*	*0.0*	*0.0*	*0.0*	***31.7***	***0.0***
- of which aviation	*47.9*	*0.0*	*0.0*	*0.0*	***47.9***	***48.9***
Manufacturing	1.716,6	0.0	0.0	99.1	**1,815.7**	**1,879.5**
Energy and water supply, mining	1.388,4	224.5	0.2	395.5	**2,008.5**	**1,965.7**
Trade, maintenance, repairs	636.1	0.0	0.0	46.2	**682.3**	**785.0**
Agriculture, forestry and fisheries	8.5	0.0	0.0	0.0	**8.5**	**10.7**
Construction	230.1	0.0	0.0	2.0	**232.2**	**220.3**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**10.765,9**	**4.949,7**	**308.6**	**806.8**	**16.830,9**	**17.249,6**

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 (35.4 per cent). If we include the public sector, this portion of the total exposure amounts to 48.2 per cent. Business with commercial customers is down slightly, while the percentage of energy utilities in the portfolio has risen marginally.

The total credit exposure by region breaks down as follows:

Regions [1] [2] in EUR million	Loans [3]	Securities [4]	Derivatives [5]	Other [6]	Total	
	30.06.2018				30.06.2018	31.12.2017
Eurozone countries	7,730.6	2,460.6	288.4	792.2	**11,271.9**	**11,400.5**
- of which Germany	*6,359.8*	*1,139.6*	*274.1*	*770.1*	***8,543.6***	***9,207.6***
Rest of Europe	2,067.2	607.5	19.2	14.6	**2,708.5**	**3,070.8**
North America	842.2	1,522.3	0.9	0.0	**2,365.4**	**2,372.5**
Central and South America	101.9	0.0	0.0	0.0	**101.9**	**94.6**
Middle East / Africa	2.1	0.0	0.0	0.0	**2.1**	**2.0**
Asia/Australia	21.9	359.2	0.0	0.0	**381.2**	**309.2**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**10,765.9**	**4,949.7**	**308.6**	**806.8**	**16,830.9**	**17,249.6**

[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 67.0 per cent share of lending, making it by far the most important business region.

Change in credit risk during the first half of the year

The unexpected loss determined for internal management purposes via a credit portfolio model was € 135 million as at the financial reporting date. This amount decreased on the level at 31 December 2017 (-3 per cent) due to the declining exposure and lower concentrations.

The expected loss has decreased by € 2 million due to a decline in non-performing loans and totals € 8 million as at 30 June 2018.

NORD/LB CBB applies the internal ratings-based approach to calculate the regulatory capital requirement for credit risks. The Bank makes an exception for a few portfolios, where it instead applies the standardised approach for credit risk. The capital requirement for credit risks as at 30 June 2018 stands at € 327 million (previous year: € 325 million).

The Bank expects the level of credit risk to remain stable over the remainder of the financial year.

Non-performing loans

The portfolio of non-performing loans, which declined substantially (-22 per cent) during the first half of the year due to the partial derecognition of an impaired exposure and scheduled repayments, stood at € 19.2 million as at 30 June 2018. The exposure was mostly attributable to one borrower from the transport/communications sector (€ 14.5 million). This lending, however, is fully guaranteed by NORD/LB. A further € 3.2 million are spread across four borrowers, also guaranteed by the Group parent, from the services sector. The remaining exposure of € 1.3 million results from a total of eight customers in different sectors.

The development of non-performing loans also has a major impact on the Bank's risk provisioning (including loan loss provisions). It has been calculated according to the new accounting standard IFRS 9 since the start of the year, and has fallen by € 5.4 million in the first half of 2018 to € 14.4 million as at 30 June 2018.

Investments

Following the liquidation of Galimondo S.à.r.l. as at 28 February 2018, NORD/LB CBB no longer holds any investments. The Bank's strategy does not focus on the acquisition of additional investments.

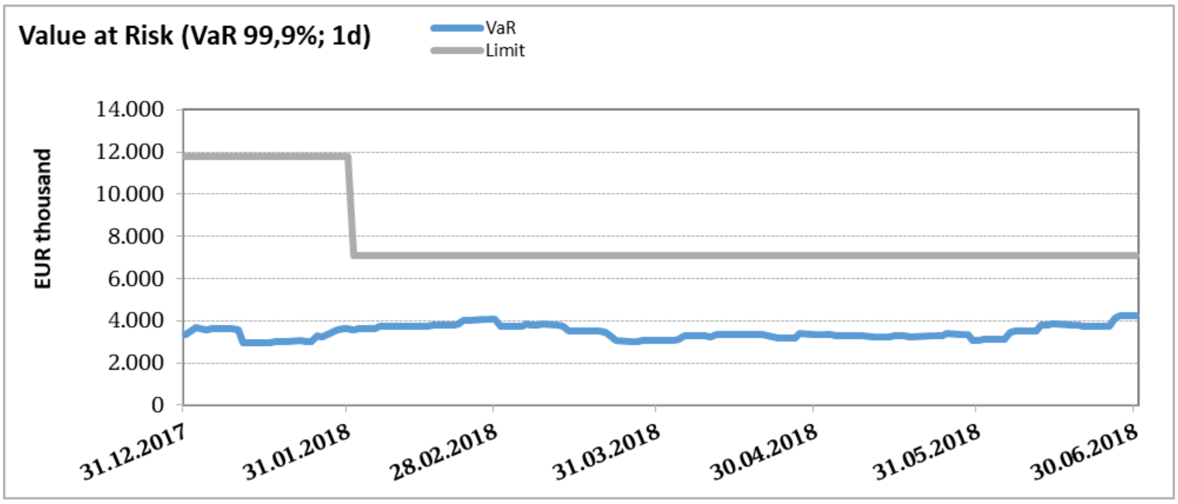
Market-price risk

The markets relevant for the Bank were relatively stable over the reporting period. However, the election result in Italy meant elevated credit spreads in the eurozone and increasing market volatility since May 2018. The spread between USD and euro interest rates has successively widened over the reporting period.

The changes in market-price risks for the Bank resulted primarily from modifications in the identification and monitoring of this type of risk. These modifications were implemented at the Group level in the first quarter of 2018. While a full cash-value measurement of market-price risks is still carried out in the resolution scenario of the risk-bearing capacity model, the business case now focuses on market-price risks that impact the Bank's capital ratios pursuant to IFRS accounting standards via the income statement or other comprehensive income (OCI).

To quantify market-price risks, the process of historic simulation is applied uniformly across the entire Group. The value-at-risk is calculated in the analyses of risk-bearing capacity at a confidence level of 99.9 percent and a holding period of 250 business days. The interest rate risks in the banking book are integrated into total risk in the business case via an income-oriented earnings-at-risk approach. Value-at-risk is determined, managed and limited on a day-to-day basis based on a confidence level of 99 per cent and a one-day holding period.

The following chart shows the change in value-at-risk for the overall Bank (confidence level: 99 per cent, holding period: 1 day) during the first half of the year:



As a result of an adjustment of the risk strategy allocation, the limit for market-price risks was reduced, and the value-at-risk limit for the overall Bank was decreased as at 1 February 2018 from € 11.8 million to € 7.1 million.

As at 30 June 2018 the risk capital utilisation amounted to € 4.2 million, i.e. 59.5 per cent. 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 € and GBP.

The average risk capital utilisation rate of the VaR limit was 45.8 per cent in the first half-year, with a maximum utilisation of 60.2 per cent and a minimum utilisation of 24.9 per cent.

As at 30 June 2018, interest-rate risks were measured at € 2.6 million, currency risks at € 1.2 million, volatility risk at € 0.04 million and credit spread risks from positions at fair value at € 1.9 million.

The effects of a standardised interest rate shock on the interest-rate risks in the banking book are analysed monthly in accordance with the requirements set out in the CSSF Circular 16/642. The result remains well below the regulatory threshold of no more than 20 per cent of liable equity. In addition, the Bank analyses further stress scenarios, which adopt both a cash-value and an income-oriented approach.

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 € 0.8 million was calculated for market-price risk as at 30 June 2018.

In contrast to the credit spread risks of securities measured at fair value, the credit spread risks of the securities measured at amortised cost (AC) are not included in the value-at-risk for market-price risks because it is based on the business case 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 99.9 per cent and a holding period of 250 days. The limit is derived from the resolution perspective of the risk-bearing capacity model.

The credit spread value-at-risk limit of the AC holdings as at 1 February 2018 was reduced slightly by € 7 million, to € 273 million. The average risk capital limit utilisation during the reporting period amounted to 62.9 per cent, with a maximum utilisation of 65.4 per cent and a minimum utilisation of 61.1 per cent. As at 30 June 2018, the credit spread value-at-risk of the AC holdings stood at € 171.4 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 backdrop of the geopolitical environment might result in phases of higher volatility on the market, which may, in turn, impact the risk situation.

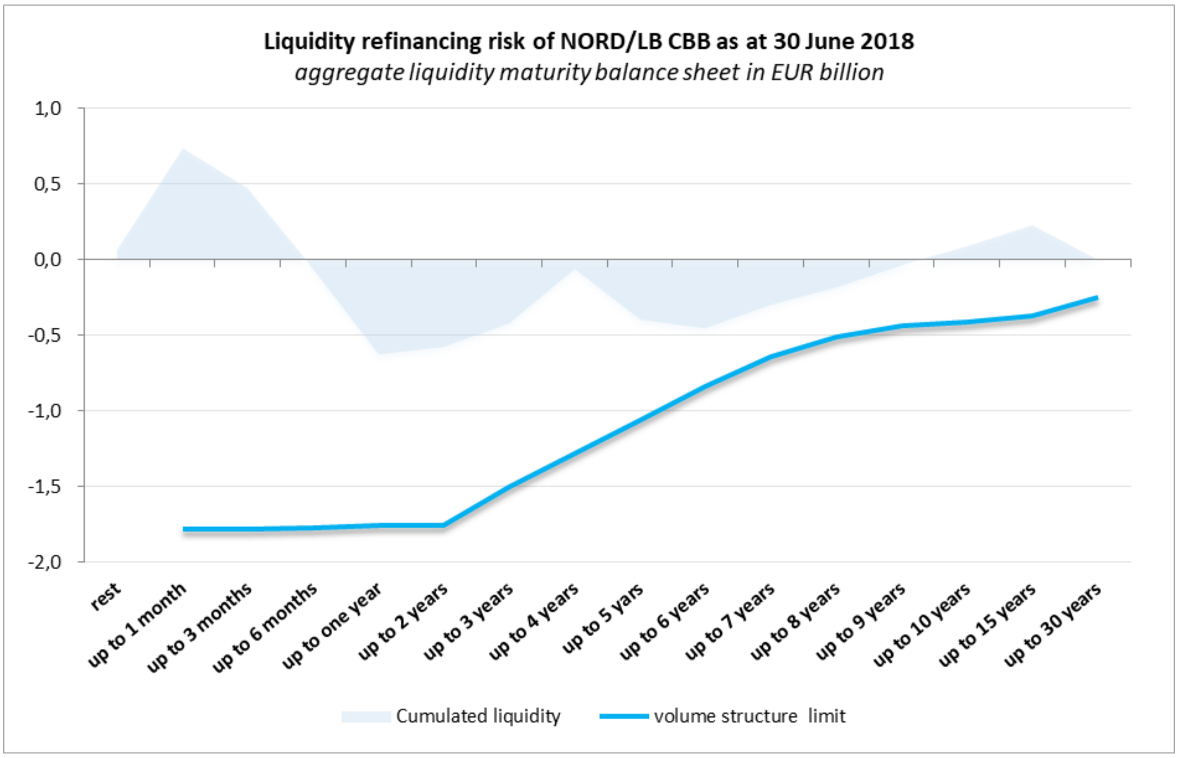
Liquidity risk

The focus for the NORD/LB Group remains on the ongoing shipping crisis, which has been incorporated in the stress scenarios for some time. During the reporting period, the Bank made adjustments to the uniform Group parameters of the dynamic liquidity stress test in the classic liquidity risk model only with regard to the cover pool. In this case the discount for market value losses was reduced. This was of no relevance for NORD/LB CBB in particular. In the other scenarios, the only parameter adjustments made were based on the annual validations defined in March 2018 by the Group’s liquidity working group.

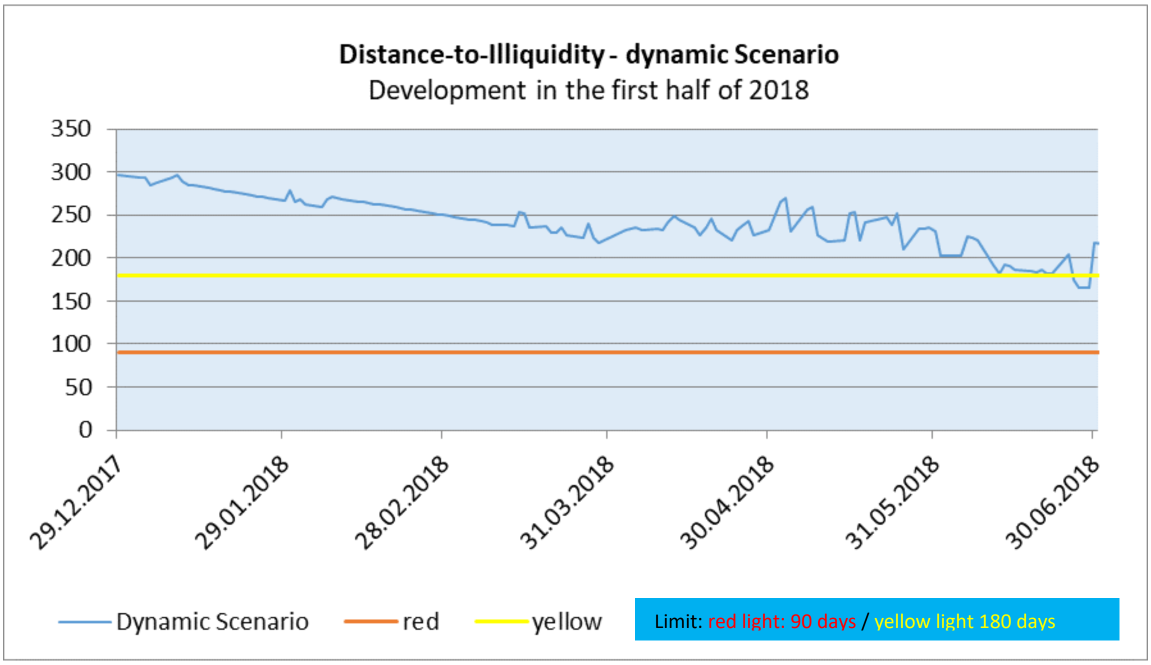
The liquidity situation on the markets eased further during the reporting period, in particular as a result of measures implemented by the European Central Bank. As at the end of the first half, the money market was relatively quiet and remained largely unaffected by developments in Europe during this time, particularly in Italy and Germany. As a result, sufficient liquidity was mobilised on the market and liquidity risk could still be managed at a comfortable level. The liquidity of both NORD/LB CBB and NORD/LB remains adequate. New lending not eligible for cover pooling purposes was partially financed via long-term funding from the Group.

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

As at the reporting date, the aggregated liquidity maturity balance sheet used for internal funding risk management at NORD/LB CBB was as follows:

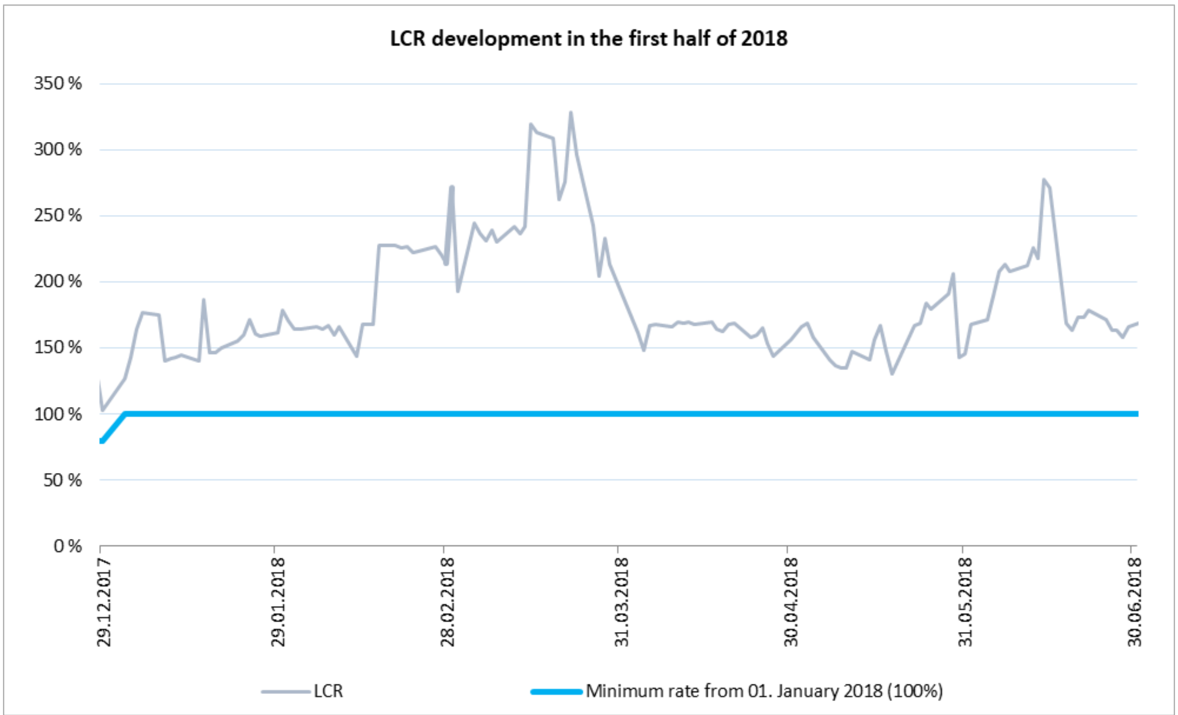


The chart below shows the distance-to-illiquidity (DTI) trend in the dynamic management-relevant scenario for NORD/LB CBB so far this year:



The DTI in the dynamic scenario was always greater than 180 days during the first half of the year, with the exception of the period from 26 to 29 June 2018. Thanks to appropriate liquidity management, the dynamic scenario was returned to the green phase as at 30 June 2018. The static scenarios were also continuously maintained in the green phase.

Since the start of the year the Bank has always maintained the liquidity coverage ratio (LCR) well above the regulatory requirements:



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 2018 stood at 52.0 per cent (previous year:

51.5 per cent). Consistent with its business strategy, NORD/LB CBB will continue to expand its funding via Lettres de Gage and will accordingly further increase the 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.

The Bank anticipates liquidity risk will increase moderately in the second half of 2018 due to active liquidity management and the planned lending business. The methods to measure risks and the reporting processes are being continuously enhanced. To this end, further measures to implement an integrated liquidity management are being planned and/or implemented.

Operational risk

Using an integrated approach to self-assessment (to determine the risk for OpRisk, ICS and Compliance), the Compliance, Security, ICS, Contingency Management and OpRisk Management functions at NORD/LB CBB collaborate closely in order to optimise the integration and management of operational risks in the second line of defence of the internal control system.

For NORD/LB CBB no losses in excess of € 5,000 were reported in the first half of 2018. The risk potential calculated according to the internal model for the risk-bearing capacity calculation (confidence level 99.9 per cent, holding period one year) is € 16.4 million as at the reporting date.

The Bank uses the standard approach according to the CRR to calculate the capital requirements for operational risks. As at 30 June 2018 they came to € 14.1 million.

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, reputational risk, real estate risk and pension risk.

To monitor other risks, a meeting of experts is held once a quarter on the subject of “management of other risks”. These meetings include reporting and discussions with the relevant experts on the different types of risk and the current status of these risks. Essentially, they perform a qualitative assessment of the other risks. The results of these meetings are subsequently submitted to the Lux Risk Committee for information. If necessary, measures are determined to limit other risks.

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 risk capital utilisation 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 jeopardise 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 2018.

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 the further course of the year were discussed in the relevant sections above.

Personnel Report

Headcount

NORD/LB CBB's headcount compared with the first half of 2017 changed as follows:

30.06.2018	30.06.2017	Change (absolute)	Change in %
183	194	-11	-6

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.

Internal controls and risk management when compiling financial data and organisation

Definition and objective

The objective of the internal control and risk management system regarding the compilation of financial reports is to prepare NORD/LB CBB's annual financial statements in accordance with the applicable accounting provisions of International Financial Reporting Standards, as they are to be applied within the European Union, so that these financial statements provide a true and fair view of the net assets, financial position and earnings position. 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.

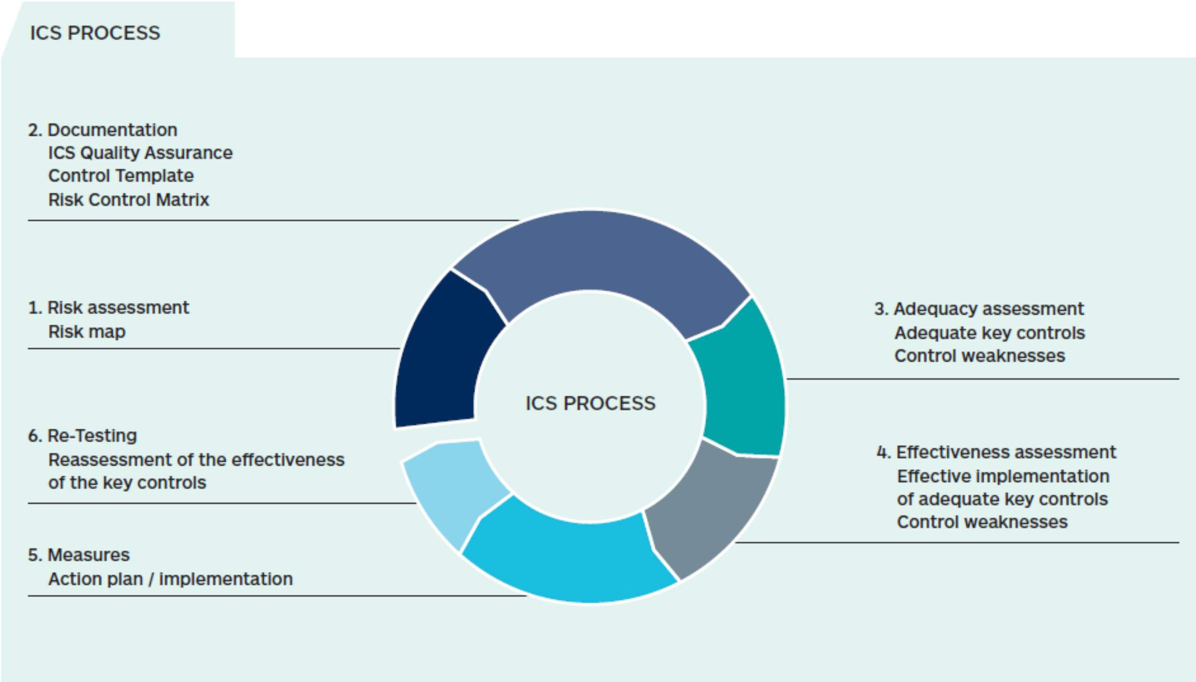
Risks for financial reporting may arise from errors in business processes. Fraudulent behaviour can also lead to misstatements. The Bank must therefore ensure that risks are minimised regarding misstatements, erroneous measurement or incorrect presentation of information in financial reporting.

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.



The implemented processes are documented and the inherent risks established and assessed. Based on these risks, the necessary controls are identified. Every key control is evaluated regarding its control objective (appropriateness) and tested for effectiveness. If there are any control weaknesses, 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 (ECB in conjunction with the CSSF). These standards are largely defined in the updated Circular 12/552, which stipulates the following four control levels:

- day-to-day controls carried out by the operating staff
- ongoing critical controls by the staff responsible for the administrative processing of transactions
- controls performed by the appointed members of the Managing Board on the activities or functions which fall under 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 Managing Board represent each other mutually regarding board support functions.

The Bank has documentation of internal regulations 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.

Risk Control function

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 Managing Board and Supervisory Board.

Compliance function

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

Internal Auditing

The Bank has an Internal Auditing function whose objectives, responsibilities, tasks and position within the organisation of the Bank are defined by the Managing Board in an audit charter. The Internal Auditing function reports to the Managing Board 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

Sustainability as a strategic factor

In 2013 the former NORD/LB Luxembourg S.A. 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, and a sustainability strategy was implemented for NORD/LB CBB. The work of the Bank's Sustainability Management function focuses on the requirements set out by the NORD/LB Group. NORD/LB CBB aims to be economically successful and internationally competitive with a view to creating added value for the NORD/LB Group, customers, staff and the general public. For this purpose it follows high ecological and social standards. The Bank's sustainability strategy defines the basic orientation of our actions. It sets out the focal points in individual areas of activity we aim to implement by 2020.

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 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, such as a photovoltaic system on the roof of the Bank's own "Galileo Center".

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 Bank makes both monetary and non-monetary donations to social organisations and self-help institutions as well as to cultural clubs and associations.

Supplementary report

No significant events occurred between the balance sheet date on 30 June 2018 and the preparation of these financial statements by the Managing Board on 31 August 2018.

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, 31 August 2018

Thorsten Schmidt

Member of the Managing Board

NORD/LB Luxembourg S.A. Covered Bond Bank

Manfred Borchardt

Member of the Managing Board

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 2018 compared with the period from 1 January 2017 to 30 June 2017:

	Notes	01.01.2018-30.06.2018 (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Change (in %)
Net interest income	**(6)**	**53,911**	**56,034**	**-3.8**
Interest income from assets		223,534	237,883	-6.0
Interest expenses from assets		-1,600	-3,205	-50.1
Interest expenses from liabilities		-172,063	-184,498	-6.7
Interest income from liabilities		4,041	5,854	-31.0
Dividend income		0	0	–
Net commission income	**(7)**	**-22,002**	**-15,773**	**39.5**
Commission income		5,445	8,177	-33.4
Commission expenses		-27,446	-23,950	14.6
Profit/loss from financial instruments	**(8)**	**-25,317**	**335**	**< -100**
Trading profit/loss		-14,342	3,126	< -100
Profit/loss from financial assets mandatorily at fair value through profit or loss		-3,545	0	> 100
Profit/loss from financial instruments designated at fair value through profit and loss		-1,066	2,802	< -100
Profit/loss from modifications		0	0	–
Impairment result from financial instruments not measured at fair value through profit or loss	(9)	1,226	-884	< -100
Disposal result from financial instruments not measured at fair value through profit or loss	(10)	0	-236	< -100
Profit/loss from hedge accounting	(11)	-7,734	-3,756	> 100
Foreign exchange result	(12)	143	-717	< -100
Profit/loss from shares in companies		0	0	–
Administrative expenses	**(13)**	**-17,876**	**-18,984**	**-5.8**
Amortisation and depreciation		**-1,300**	**-1,354**	**-4.0**
Other operating profit/loss	**(14)**	**-4,802**	**-4,993**	**-3.8**
Earnings before taxes		**-17,387**	**15,266**	**< -100**
Income taxes	**(16)**	**4,509**	**-3,780**	**< -100**
Earnings after taxes		**-12,877**	**11,485**	**< -100**

Condensed statement of comprehensive income

The total income for the first half of 2018 consists of the income and expenses recognised in the income statement and directly in equity.

NORD/LB CBB for the period from 1 January to 30 June 2018 compared with the period from 1 January 2017 to 30 June 2017:

	01.01.2018-30.06.2018 (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Change (in %)
Net profit	**-12,877**	**11,485**	**< -100**
Other comprehensive income which is not recycled in the income statement in subsequent periods	**0**	**-33**	**-100.0**
Revaluation of the net liability from defined benefit pension plans	0	0	–
Deferred taxes	0	-33	-100.0
Other comprehensive income which is recycled in the income statement in subsequent periods on certain conditions	**-3,276**	**-8,240**	**-60.2**
Changes from financial assets at fair value through other comprehensive income	-4,427	-11,623	-61.9
Unrealised profit/losses	-4,427	-11,368	-61.1
Transfer due to realisation profit/loss, including transfers to financial assets at fair value through profit and loss	0	-255	-100.0
Deferred taxes	1,152	3,383	-66.0
Other income	**-3,276**	**-8,273**	**-60.4**
Comprehensive income for the period under review	**-16,153**	**3,213**	**< -100**

Balance sheet

NORD/LB CBB for the reporting date as at 30 June 2018 in comparison with the reporting date as at 31 December 2017:

Assets	Notes	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Cash reserve		**471.3**	**448.3**	**5**
Trading assets	**(17)**	**161.9**	**128.3**	**26**
Of which: Loans and advances to banks		0.0	0.0	–
Of which: Loans and advances to customers		22.4	1.2	> 100
Financial assets mandatorily at fair value through profit or loss	**(17)**	**1,024.3**	**943.3**	**9**
Of which: Loans and advances to banks		28.7	31.7	-10
Of which: Loans and advances to customers		5.2	5.2	0
Financial assets designated at fair value through profit or loss	**(17)**	**0.0**	**0.0**	**–**
Of which: Loans and advances to banks		0.0	0.0	–
Of which: Loans and advances to customers		0.0	0.0	–
Financial assets at fair value through other comprehensive income	**(18)**	**2,103.9**	**2,199.8**	**-4**
Of which: Loans and advances to banks		0.0	0.0	–
Of which: Loans and advances to customers		0.0	0.0	–
Financial assets at amortised cost	**(19)**	**11,448.5**	**11,350.9**	**1**
Of which: Loans and advances to banks		1,186.8	764.9	55
Of which: Loans and advances to customers		8,475.9	8,618.0	-2
Positive fair values from hedge accounting derivatives		**221.4**	**219.8**	**1**
Balancing items for financial instruments hedged in the fair value hedge portfolio		**0.0**	**0.0**	**–**
Shares in companies		**0.0**	**0.0**	**–**
Shares in companies accounted for using the equity method		**0.0**	**0.0**	**–**
Property and equipment	**(19)**	**64.6**	**65.3**	**-1**
Investment property		**0.0**	**0.0**	**–**
Intangible assets	**(21)**	**25.5**	**22.1**	**15**
Assets held for sale		**0.0**	**0.0**	**–**
Current income tax assets		**2.9**	**0.0**	**> 100**
Deferred tax assets		**5.2**	**0.7**	**> 100**
Other assets	**(22)**	**3.2**	**3.8**	**-15**
Total assets		**15,532.6**	**15,382.3**	**1**

Liabilities	Notes	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Trading liabilities	**(23)**	**88.7**	**78.6**	**13**
Of which: Liabilities to banks		0.0	0.0	–
Of which: Liabilities to customers		0.0	0.0	–
Of which: Securitised liabilities		0.0	0.0	–
Of which: Subordinated liabilities		0.0	0.0	–
Financial liabilities designated at fair value through profit or loss	**(23)**	**1,607.6**	**1,043.3**	**54**
Of which: Liabilities to banks		0.0	0.0	–
Of which: Liabilities to customers		0.0	0.0	–
Of which: Securitised liabilities		1,607.6	1,043.3	54
Of which: Subordinated liabilities		0.0	0.0	–
Financial liabilities at amortised cost	**(24)**	**12,676.7**	**12,971.7**	**-2**
Of which: Liabilities to banks		5,525.4	6,011.1	-8
Of which: Liabilities to customers		3,404.8	3,210.7	6
Of which: Securitised liabilities		3,746.5	3,750.0	0
Of which: Subordinated liabilities		0.0	0.0	–
Negative fair values from hedge accounting derivatives		**433.1**	**514.0**	**-16**
Balancing items for financial instruments hedged in the fair value hedge portfolio		**0.0**	**0.0**	**–**
Provisions	**(25)**	**13.9**	**14.5**	**-4**
Liabilities held for sale		**0.0**	**0.0**	**–**
Current income tax liabilities		**19.9**	**20.3**	**-2**
Deferred tax liabilities		**10.1**	**10.9**	**-7**
Other liabilities	**(26)**	**10.3**	**10.6**	**-2**
Equity	**(27)**	**672.3**	**718.5**	**-6**
Of which: Subscribed capital		205.0	205.0	0
Of which: Capital reserves		0.0	0.0	–
Of which: Retained earnings		441.6	484.4	-9
Of which: Accumulated other comprehensive income (OCI)		25.7	29.0	-11
Total liabilities and equity		**15,532.6**	**15,382.3**	**1**

Condensed Cash Flow Statement

NORD/LB CBB for the period from 1 January to 30 June 2018 compared with the period from 1 January 2017 to 30 June 2017:

	01.01.2018-30.06.2018 (in € million)	01.01.2017-30.06.2017 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**448.3**	**56.5**	**> 100**
Cash flow from operating activities	-208.5	-37.4	> 100
Cash flow from investing activities	261.5	412.2	-37
Cash flow from financing activities	-30.0	-30.4	-1
Total cash flow	**23.0**	**344.4**	**-93**
Effects of changes in exchange rates on the cash reserve	0.0	0	–
Cash and cash equivalents as at 30 June	**471.3**	**400.8**	**18**

Condensed statement of changes in equity

NORD/LB CBB for the period from 1 January to 30 June 2018:

(in € million)	**Subscribed capital**	**Capital reserves**	**Retained earnings**	**Accumulated other comprehensive income (OCI)**	**Equity**
Equity as at 01.01.2018	**205.0**	**0.0**	**481.4**	**16.4**	**702.8**
Initial application effect IFRS 9	0.0	0.0	1.0	14.6	15.7
Reclassification of the net liability from defined benefit pension plans	0.0	0.0	2.0	-2.0	0.0
Adjusted equity as at 01.01.2018	**205.0**	**0.0**	**482.4**	**31.0**	**718.5**
Net profit	0.0	0.0	-12.9	0.0	-12.9
Changes from financial assets at fair value through other comprehensive income	0.0	0.0	0.0	-2.8	-2.8
Changes resulting from financial liabilities designated at fair value through profit and loss that are attributable to changes in credit risk	0.0	0.0	0.0	-1.6	-1.6
Revaluation of the net liability from defined benefit pension plans	0.0	0.0	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	1.2	1.2
Comprehensive income for the period under review	**205.0**	**0.0**	**469.5**	**27.8**	**702.3**
Distribution	0.0	0.0	-30.0	0.0	-30.0
Equity as at 30.06.2018	**205.0**	**0.0**	**439.5**	**27.8**	**672.3**

NORD/LB CBB for the period from 1 January to 30 June 2017:

(in € million)	**Subscribed capital**	**Capital reserves**	**Retained earnings**	**Accumulated other comprehensive income (OCI)**	**Equity**
Equity as at 01.01.2017	**205.0**	**0.0**	**481.8**	**24.6**	**711.4**
Net profit	0.0	0.0	29.3	0.0	29.3
Changes from financial assets at fair value through other comprehensive income	0.0	0.0	0.0	-11.5	-11.5
Changes resulting from financial liabilities designated at fair value through profit and loss that are attributable to changes in credit risk	0.0	0.0	0.0	0.0	0.0
Revaluation of the net liability from defined benefit pension plans	0.0	0.0	0.3	0.0	0.3
Deferred taxes	0.0	0.0	-0.1	3.3	3.2
Comprehensive income for the period under review	**0.0**	**0.0**	**29.5**	**-8.1**	**21.4**
Distribution	0.0	0.0	-30.0	0.0	-30.0
Equity as at 30.06.2017	**205.0**	**0.0**	**481.4**	**16.4**	**702.8**

Selected notes

Selected notes

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

The condensed interim financial statements of NORD/LB CBB as at 30 June 2018 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 2017.

The condensed interim financial statements as at 30 June 2018 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 2018 relate to the accounting figures as at that date and to the information contained in the income statement for the period from 1 January to 30 June 2018, 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 (€ 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.

This interim report was signed by the Managing Board on 31 August 2018 and approved for publication.

(2) Adjustment of the reporting structure

NORD/LB CBB in 2018 changed the structure of the income statement, the balance sheet and additional explanatory notes in order to provide more reliable and relevant information about the financial position, assets and earnings position of the Bank as a result of the initial application of IFRS 9.

The following tables show the adjustments between the former and new items on the income statement and balance sheet using the IFRS accounting standards applicable until 31 December 2017.

Before adjustment		**Adjustments**				**After adjustment**	
31.12.2017 (in € million)		**Net presentation of assets reported at amortised cost**	**Breakdown of financial assets at fair value through profit or loss**	**Reclassi-fication of positive fair values from hedge accounting derivatives**	**Break-down of financial assets**		
Cash reserve	448.3	0.0	0.0	0.0	0.0	Cash reserve	448.3
		0.0	128.3			Trading assets	128.3
		36.7	873.0	0.0	38.0	Financial assets mandatorily at fair value through profit or loss	947.7
		0.0	0.0	0.0	0.0	Financial assets designated at fair value through profit or loss	0.0
					2,199.1	Financial assets at fair value through other comprehensive income	2,199.1
Loans and advances to banks	796.4	-796.4	0.0	0.0	0.0		0.0
Loans and advances to customers	8,632.2	-8,632.2	0.0	0.0	0.0		0.0
Risk provisioning	-7.6	7.6	0.0	0.0	0.0		0.0
		9,384.3	0.0	0.0	1,941.1	Financial assets at amortised cost	11,325.4
		0.0	0.0	219.8		Positive fair values from hedge accounting derivatives	219.8
Balancing items for financial instruments hedged in the fair value hedge portfolio	0.0	0.0	0.0	0.0	0.0	Balancing items for financial instruments hedged in the fair value hedge portfolio	0.0
Financial assets at fair value through profit or loss	1,001.3	0.0	-1,001.3	0.0	0.0		0.0
Positive fair values from hedge accounting derivatives	219.8	0.0	0.0	-219.8			0.0
Financial assets	4,178.2	0.0	0.0	0.0	-4,178.2		0.0
		0.0	0.0	0.0	0.0	Shares in companies	0.0
Shares in companies accounted for using the equity method	0.0	0.0	0.0	0.0	0.0	Shares in companies accounted for using the equity method	0.0
Property and equipment	65.3	0.0	0.0	0.0	0.0	Property and equipment	65.3
Investment property	0.0	0.0	0.0	0.0	0.0	Investment property	0.0
Intangible assets	22.1	0.0	0.0	0.0	0.0	Intangible assets	22.1
Assets held for sale	0.0	0.0	0.0	0.0	0.0	Assets held for sale	0.0
Current income tax assets	0.0	0.0	0.0	0.0	0.0	Current income tax assets	0.0
Deferred tax assets	0.7		0.0	0.0	0.0	Deferred tax assets	0.7
Other assets	3.8	0.0	0.0	0.0	0.0	Other assets	3.8
Total assets	**15,360.6**	**0.0**	**0.0**	**0.0**	**0.0**	**Total assets**	**15,360.6**

Before adjustment		Adjustments			After adjustment	
31.12.2017 (in € million)		**Reclassification of financial liabilities at amortised cost**	**Breakdown of financial liabilities at fair value through profit or loss**	**Reclassification of negative fair values from hedge accounting derivatives**		
Liabilities to banks	6,011.1	-6,011.1				
Liabilities to customers	3,210.7	-3,210.7				
Securitised liabilities	3,750.0	-3,750.0				
			74.9		Trading liabilities	74.9
			1,043.3		Financial liabilities designated at fair value through profit or loss	1,043.3
		12,971.7			Financial liabilities at amortised cost	12,971.7
				517.7	Negative fair values from hedge accounting derivatives	517.7
Balancing items for financial instruments hedged in the fair value hedge portfolio	0.0				Balancing items for financial instruments hedged in the fair value hedge portfolio	0.0
Financial liabilities at fair value through profit or loss	1,118.2		-1,118.2			
Negative fair values from hedge accounting derivatives	517.7			-517.7		
Provisions	13.9				Provisions	13.9
Liabilities held for sale	0.0					
Current income tax liabilities	19.9				Current income tax liabilities	19.9
Deferred tax liabilities	5.8				Deferred tax liabilities	5.8
Other liabilities	10.6				Other liabilities	10.6
Subordinated capital	0.0					
Equity	702.8				Equity	702.8
Subscribed capital	205.0				Subscribed capital	205.0
Capital reserves	0.0				Capital reserves	0.0
Retained earnings	481.4				Retained earnings	481.4
Revaluation reserves	16.4				Accumulated other comprehensive income (OCI)	16.4
Total liabilities and equity	**15,360.6**	**0.0**	**0.0**	**0.0**	**Total liabilities and equity**	**15,360.6**

Before adjustment		Adjustments						After adjustment	
01.01.2017-30.06.2017 (in € thousand)		**Breakdown of dividend income**	**Reclassification of loan loss provisions**	**Breakdown of foreign exchange result**	**Breakdown of profit/loss from financial assets**	**Breakdown of administrative expenses**	**Breakdown of other operating profit/loss**		
Interest income from assets	237,883	0	0	0	0	0	0	Interest income from assets	237,883
Interest expenses from assets	-3,205	0	0	0	0	0	0	Interest expenses from assets	-3,205
Interest expenses from liabilities	-184,498	0	0	0	0	0	0	Interest expenses from liabilities	-184,498
Interest income from liabilities	5,854	0	0	0	0	0	0	Interest income from liabilities	5,854
Net interest income	56,034	0	0	0	0	0	0	Net interest income	56,034
Loan loss provisions	-2,680	0	2,680	0	0	0	0		0
Commission income	8,177	0	0	0	0	0	0	Commission income	8,177
Commission expenses	-23,950	0	0	0	0	0	0	Commission expenses	-23,950
Net commission income	-15,773	0	0	0	0	0	0	Net commission income	-15,773
Trading profit/loss	2,409	0	0	717				Trading profit/loss	3,126
	0	0	0	0	0	0	0	Profit/loss from financial assets mandatorily at fair value through profit or loss	0
Profit/loss from the fair value option	2,802							Profit/loss from financial instruments designated at fair value through profit and loss	2,802
								Profit/loss from modifications	0
			-2,790		1,906			Impairment result from financial assets not measured at fair value through profit or loss	-884
		0	0	0	-236	0	0	Disposal result from financial instruments not measured at fair value through profit or loss	-236
Profit/loss from financial instruments at fair value through profit or loss	5,211	0	0	0	0	0	0		5,211
Profit/loss from hedge accounting	-3,756	0	0	0	0	0	0	Profit/loss from hedge accounting	-3,756
Profit/loss from financial assets	1,669			0	-1,669				0
				-717				Foreign exchange result	-717
		0	0	0	0	0	0	Profit/loss from financial instruments	0
Administrative expenses	-20,338	0	0	0	0	1,354	0	Administrative expenses	-18,984
						-1,354		Amortisation and depreciation	-1,354
Other operating profit/loss	-5,103	0	110	0	0	0	0	Other operating profit/loss	-4,993
Earnings before taxes	**15,266**	0	0	0	0	0	0	**Earnings before taxes**	15,266
Income taxes	-3,780	0	0	0	0	0	0	Income taxes	-3,780
Net profit	**11,485**	0	0	0	0	0	0	**Profit/loss from continuing operations**	11,485

(3) Reconciliation of the categories and classes of IAS 39 to IFRS 9

As a result of the initial application of IFRS 9 as at 1 January 2018, there is in some cases a change of category compared to IAS 39 for financial assets and liabilities. The following table shows the effects for each class resulting from the change in category and the change in measurement. Initially, the carrying amounts of the financial instruments measured in accordance with the provisions of IAS 39 and classified under IFRS 7 as at 31 December 2017 are reclassified with unchanged measurement into the classes of financial instruments pursuant to IFRS 7 using IFRS 9. This effect is reported for each class in the "reclassification" line. In a second step, the application of the measurement provisions of IFRS 9 is applied to the classes of financial instruments pursuant to IFRS 7. This effect is reported for each class in the "revaluation" line. The total of the carrying amount recognised as at 31 December 2017 and the effect from the initial application of IFRS 9 is equal to the carrying amount of the financial instruments for each class under IFRS 9 as at 1 January 2018.

		IAS 39 holding cate-gory	Financial assets at fair value through profit or loss				Finan-cial assets at fair value	Financial assets not at fair value	LaR	LaR
		IAS 39 class	Trading assets (HfT)	Financial assets designated at fair value (DFV)			Financial assets classified as AfS	Financial assets classified as LaR	Loans and advan-ces to banks*	Loans and advances to customers*
(in € million)				Main-tain FVO	Voluntary reversal FVO	Manda-tory reversal FVO				
Carrying amounts IAS 39as at 31.12.2017		**14,820.4**	**348.1**	**0.0**	**0.0**	**873.0**	**2,232.2**	**1,946.0**	**796.3**	**8,624.7**
IFRS 9 class		**Carrying amounts IFRS 9 as at 01.01.2018**								
Trading assets										
Derivatives										
Reclassification		348.1	348.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**348.1**	**348.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Equity instruments										
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities										
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loans and advances										
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets mandatorily at fair value through profit or loss										
Equity instruments										
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities										
Reclassification		911.0	0.0	0.0	0.0	873.0	0.1	37.9	0.0	0.0
Revaluation		-4.7	0.0	0.0	0.0	0.0	0.0	-4.7	0.0	0.0

Carrying amount IFRS 9 as at 01.01.2018	**906.4**	**0.0**	**0.0**	**0.0**	**873.0**	**0.1**	**33.3**	**0.0**	**0.0**
Loans and advances									
Reclassification	36.7	0.0	0.0	0.0	0.0	0.0	0.0	31.5	5.2
Revaluation	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1
Carrying amount IFRS 9 as at 01.01.2018	**37.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**31.7**	**5.2**
	IAS 39 holding category	**Financial assets at fair value through profit or loss**				**Financial assets at fair value**	**Financial assets not at fair value**	**LaR**	**LaR**
	IAS 39 class	Trading assets (HfT)	Financial assets designated at fair value (DFV)			Financial assets classified as AfS	Financial assets classified as LaR	Loans and advances to banks*	Loans and advances to customers*
(in € million)			Maintain FVO	Voluntary reversal FVO	Mandatory reversal FVO				
Financial assets designated at fair value through profit or loss									
Debt securities and other fixed-interest securities									
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loans and advances									
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets at fair value through other comprehensive income									
Equity instruments									
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities									
Reclassification	2,199.1	0.0	0.0	0.0	0.0	2,132.9	66.2	0.0	0.0
Revaluation	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018	**2,199.8**	**0.0**	**0.0**	**0.0**	**0.0**	**2,132.9**	**66.9**	**0.0**	**0.0**
Loans and									

advances										
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets at amortised cost										
Debt securities										
Reclassification		1,941.1	0.0	0.0	0.0	0.0	99.2	1,841.9	0.0	0.0
Revaluation		26.9	0.0	0.0	0.0	0.0	13.6	13.4	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**1,968.0**	**0.0**	**0.0**	**0.0**	**0.0**	**112.8**	**1,855.2**	**0.0**	**0.0**
Loans and advances										
Reclassification		9,384.3	0.0	0.0	0.0	0.0	0.0	0.0	764.8	8,619.6
Revaluation		-1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-1.6
Carrying amount IFRS 9 as at 01.01.2018		**9,382.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**764.9**	**8,618.0**
Shares in companies										
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

* The IAS 39 carrying amount as at 31 December 2017 includes risk provisioning of € 0.1 million in relation to loans and advances to banks and risk provisioning in the amount of € 7.4 million in relation to loans and advances to customers.

The reconciliation table presented above for financial assets includes all significant changes resulting from the initial application of IFRS 9. The revaluation effects shown therein were recognised as at 1 January 2018 in retained earnings in the amount of € -0.5 million and in accumulated other comprehensive income (OCI) in the amount of € +22.3 million. The figures stated are before deferred taxes.

The Bank has allocated all financial instruments previously measured at fair value (due to an accounting mismatch under IAS 39) into a portfolio managed at fair value. This means that the corresponding securities will continue to be recognised at their full fair value. The changes in value will thus continue to flow into the income statement for the relevant period.

		IAS 39 holding category	**Financial liabilities at fair value through profit or loss**		**Other liabilities**		
		IAS 39 class	Trading liabilities (HfT)	Financial liabilities designated at fair value (DFV)	Liabilities to banks	Liabilities to customers	Securitised liabilities

(in € million)				Maintain FVO	Voluntary reversal FVO	Mandatory reversal FVO			
Carrying amounts IAS 39 as at 31.12.2017		**14,607.6**	**592.6**	**1,043.3**	**0.0**	**0.0**	**6,011.1**	**3,210.7**	**3,750.0**
IFRS 9 class		**Carrying amounts IFRS 9 as at 01.01.2018**							
Trading liabilities									
Derivatives									
Reclassification		592.6	592.6	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**592.6**	**592.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Delivery obligations from short-sales									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Deposits									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Issued debt securities									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other financial liabilities									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

		IAS 39 holding category	**Financial liabilities at fair value through profit or loss**				**Other liabilities**		
		IAS 39 class	Trading liabilities (HfT)	Financial liabilities designated at fair value (DFV)			Liabilities to banks	Liabilities to customers	Securitised liabilities
(in € million)				Maintain FVO	Voluntary reversal FVO	Mandatory reversal FVO			

Financial liabilities designated at fair value through profit or loss									
Deposits									
Reclassification		1,043.3	0.0	1,043.3	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**1,043.3**	**0.0**	**1,043.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Issued debt securities									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Other financial liabilities									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial liabilities at amortised cost									
Deposits									
Reclassification		9,221.8	0.0	0.0	0.0	0.0	6,011.1	3,210.7	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**9,221.8**	**0.0**	**0.0**	**0.0**	**0.0**	**6,011.1**	**3,210.7**	**0.0**
Issued debt securities									
Reclassification		3,750.0	0.0	0.0	0.0	0.0	0.0	0.0	3,750.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**3,750.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3,750.0**
Other financial liabilities									
Reclassification		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amounts IFRS 9 as at 01.01.2018		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

The reconciliation table presented above for financial liabilities includes all significant changes resulting from the initial application of IFRS 9. The revaluation effects shown therein as at 1 January 2018 were recognised in retained earnings in the amount of € +2.5 million and in accumulated other comprehensive income (OCI) in the amount of € -2.5 million. The figures stated do not include deferred taxes.

Moreover, an initial application effect results from provisions on off-balance-sheet transactions amounting to € -0.6 million (before deferred taxes).

Own issues that were recognised at fair value under IAS 39 due to an accounting mismatch will continue to be recognised at fair value under IFRS 9. The change in own credit risk will be recognised in Other comprehensive income within equity under IFRS 9.

The following table reconciles the risk provisioning balances in accordance with IAS 39 as at 31 December 2017 with the risk provisioning balances calculated under IFRS 9 as at 1 January 2018 for each category.

		Risk provisioning IAS 39 as at 31.12.2017			Reclassification	Revaluation IFRS 9	Risk provisioning IFRS 9 as at 01.01.2018				
		IVA	**FIVA**	**PVA**			**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
On-balance-sheet risk provisioning											
From at amortised cost (IAS 39)		**4.9**	**0.0**	**17.4**	**-22.3**						
To at amortised cost (IFRS 9)					21.9	-3.6	4.2	9.3	4.8	0.0	**18.4**
To at fair value through other comprehensive income (IFRS 9)					0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
To at fair value through profit or loss (IFRS 9)					0.3	-0.3	0.0	0.0	0.0	0.0	**0.0**
Total		**4.9**	**0.0**	**17.4**	**0.0**	**-3.9**	**4.2**	**9.3**	**4.8**	**0.0**	**18.4**
From at fair value through other comprehensive income (IAS 39)		**0.0**	**0.0**	**0.0**	**0.0**						
To at amortised cost (IFRS 9)					0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
To at fair value through other comprehensive income (IFRS 9)					0.0	0.1	0.1	0.0	0.0	0.0	**0.1**
To at fair value through profit or loss (IFRS 9)					0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total		**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**
From at fair value through profit or loss (IAS 39)		**0.0**	**0.0**	**0.0**	**0.0**						
To at amortised cost (IFRS 9)					0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
To at fair value through other comprehensive income (IFRS 9)					0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
To at fair value through profit or loss (IFRS 9)					0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Total		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
IFRS 9 risk provisioning for category											
At amortised cost (IFRS 9)					21.9	-3.5	4.3	9.3	4.8	0.0	**18.4**

To at fair value through other comprehensive income (IFRS 9)					0.0	0.0	0.1	0.0	0.0	0.0	0.1
To at fair value through profit or loss (IFRS 9)					0.3	-0.3	0.0	0.0	0.0	0.0	**0.0**
Total					**22.3**	**-3.8**	**4.3**	**9.3**	**4.8**	**0.0**	**18.5**
		Provisions in lending business as at 31.12.2017			**Reclassi-fication**	**Revalua-tion IFRS 9**	**Provisions in lending business IFRS 9 as at 01.01.2018**				
		Provisions		**PVA (prov.)**			**Stage 1**	**Stage 2**	**Stage 3**		**Total**
Provisions in lending business											
Credit commitments			0.0	0.3	0.3	0.3	0.4	0.2	0.0		0.5
Financial guarantees			0.4	0.1	0.5	0.3	0.1	0.3	0.4		0.8
Total			**0.4**	**0.4**	**0.8**	**0.6**	**0.5**	**0.5**	**0.4**		**1.4**

(4) Applied accounting policies

The accounting policies for the interim financial statements pursuant to IFRS are fundamentally based on those used to compile the annual financial statements as at 31 December 2017. In addition, the Bank applied for the first time the provisions of IFRS 9 and IFRS 15 for the interim financial statements as at 30 June 2018. The provisions resulting from these new standards, applicable from 1 January 2018, as well as their impact on NORD/LB CBB are set down in the following.

IFRS 9 – Financial Instruments

IFRS 9 replaces the provisions of IAS 39 and governs the classification as well as the measurement of financial assets and financial liabilities. The initial measurement of financial assets and liabilities is at fair value, as was the case pursuant to IAS 39. As regards financial instruments not measured at fair value through profit and loss, the transaction costs are included in amortised cost insofar as these can be directly allocated. For financial instruments which are measured at fair value through profit and loss, the transaction costs are immediately recognised in profit and loss. The subsequent measurement is based on the IFRS 9 measurement category to which the financial instruments were assigned when initially recognised.

a) Classification and measurement of financial assets

IAS 39 stipulated that assets are classified primarily based on the nature of the financial asset. Under IFRS 9, the classification is based on the actual management of the cash flows from financial assets (business model) and the structure of the financial asset itself (cash flow criterion).

aa) Business model

To assess the business model, the Bank evaluates financial assets at an aggregate level. To that end, it aggregates those with homogeneous strategic and commercial objectives into assessment units. These assessment units are then assigned to an IFRS 9 business model in accordance with their objective. The specific allocation criteria used in NORD/LB CBB include, for example, the strategic management of the transactions, previous transactions, expectations about future transactions within the assessment unit, as well as the nature of the performance measurement and the corresponding internal reporting. Assessment units are established based on the Bank's segments. The Managing Board determines the assessment unit and, based on that determination, the resulting allocation to an IFRS 9 compliant business model. The Bank reviews the allocation of the assessment units with their objective-based IFRS 9 business models at least once a year, or on an ad hoc basis, when it reviews the segment strategies.

IFRS 9 provides for three possible business models for financial assets: "Held to Maturity" (HtM), "Held for Trading" (HfT), and "Available for Sale" (AfS).

The "HtM" business model includes financial assets with the objective to receive the contractual cash flows from these assets until they mature. When assessing whether this business model is applicable, the Bank takes into account at the level of the corresponding assessment unit the frequency, volume and timing of sales of receivables in previous periods, the reasons for these sales and expected future sales activities. This review process is conducted under the assumption that receivables sold just prior to maturity or due to a deterioration in creditworthiness are fundamentally compatible with this business model. The same is applicable for disposals that are material in terms of disposal volume, but which occur only very infrequently, as well as for disposals that are immaterial both individually and in total, even if they occur on a regular basis. The Bank reviews at least once a year, or on an ad hoc basis, whether the requirements for these exceptions are met and the materiality thresholds are complied with when sales are made from the "HtM" portfolio.

The "HfT" business model envisages both the receipt of contractual cash flows and disposals of financial assets that occur more than just occasionally. For example, portfolios with the following objective are allocated to this business model: coverage of the daily liquidity need or achievement of a specific interest income profile.

The "AfS" business model includes financial assets that are not allocated to the "HtM" business model or the "HfT" business model. Financial instruments within this business model are held for trading or are managed based on fair value. In both cases, the Bank manages the financial assets with the objective to realise cash flows primarily from their sale. The receipt of contractual cash flows is not an integral component of this business model.

ab) Cash flow criterion

Each individual financial asset must be analysed with regard to the cash flow criterion to determine the extent to which the financial asset's contractual cash flows include only unleveraged interest and principal payments. This analysis is based on the contractual terms and conditions applicable when the asset is initially recognised.

Contractual cash flows that do not meet the requirements for the cash flow criterion include, for example, principal payments in excess of the contractual notional amount, interest payments linked to shares, commodity prices or other indices, or a notional currency that differs from the currency of the reference interest rate.

In contrast, termination rights, special repayment agreements and extension options meet the cash flow criterion if the repayment amount, in addition to outstanding principal repayments and interest, includes an appropriate prepayment compensation or if the renewal option provides for adequate consideration for the term extension.

The only situations in which the Bank does not assess the cash flow criterion is in respect to contractual components that have only an extremely minor effect on the contractual cash flows or whose occurrence is considered to be very unlikely.

In the case of contractual components about which an initial qualitative analysis is performed but it is unclear to what extent these components result in more than just very minor deviations compared to unleveraged interest and principal payments, the Bank reviews these components by comparing the present values of the contractual cash flows of the financial asset under consideration with those of an existing or hypothetical unmodified financial instrument that has identical features and the same credit quality except for the components causing the deviations.

ac) Modification

When modifying existing loan agreements, the Bank assesses whether the modification results in a material change in the loan’s cash flows and thus the derecognition criteria under IFRS 9 are met. This assessment is carried out using qualitative criteria, supplemented with a quantitative criterion. If this is the case, the modified loan must be remeasured at fair value as a new financial asset, and classified for subsequent measurement purposes by applying the business model and cash flow criterion. If a modification does not result in a material change in the cash flows, the difference in the present value of the cash flows before and after the modification is recognised in profit/loss from modifications and amortised over the residual term of the existing loan agreement.
Modifications of financial assets other than loans are currently not relevant in NORD/LB CBB.

The following measurement categories are applicable in the Bank depending on the classification of the business model and whether the cash flow criterion is met:

ad) Financial assets at amortised cost

This category includes non-derivative financial assets allocated to the “HtM” business model if the cash flow criterion is also met. As significant portions of the traditional credit and lending business are presented here, this is the largest category in NORD/LB CBB. This category also includes a portion of the Bank’s securities portfolio.
Assets included in this category are subsequently measured at amortised cost using the effective interest rate method. In addition, the carrying amount in the balance sheet is reduced by the expected credit losses calculated pursuant to the impairment regulations. Allocations to and reversals of risk provisioning are recognised in the income statement under the item Impairment result from financial assets not measured at fair value through profit or loss. Interest income and interest expenses are reported in Net interest income; commission income in Net commission income.

ae) Financial assets at fair value through other comprehensive income

This category includes non-derivative financial assets allocated to the “HfT” business model if the cash flow criterion is also met. NORD/LB CBB allocates to this category primarily securities intended for short and medium-term liquidity management purposes, or if the Bank generally does not intend to hold the securities until maturity.
Assets allocated to this category are subsequently measured at fair value. The profit/loss from financial assets at fair value is reported in Other comprehensive income (OCI). On disposal of the financial asset, the accumulated measurement profit/loss recognised until then in other comprehensive income (OCI) is reversed and recognised in the income statement.
Differences between the cost of acquisition and the redemption amount for debt instruments are amortised through profit and loss using the effective interest method. Interest income and interest expenses are reported in Net interest income, and commission income is reported in Net commission income.
In addition, the debt securities allocated to this category are subject to the same impairment regulations as financial assets at amortised cost. Allocations to and reversals of risk provisioning are also recognised here through profit or loss under profit/loss from risk provisioning. However, the expected credit losses determined for this category do not reduce the balance sheet carrying amount at fair value, rather they are recognised in other comprehensive income (OCI). In addition, the Bank has an option to allocate to this measurement category those equity instruments that are in principle to be measured at fair value through profit or loss. This irrevocable allocation must occur at initial recognition. The impairment regulations are not applicable for equity instruments. Upon disposal, the total cumulative measurement profit or loss that has accumulated in other comprehensive income (OCI) is not reclassified to the income statement, rather it is recognised directly in equity in retained earnings. The Bank did not use this option in the period under review. Furthermore, the Bank has no equity instruments as at the reporting date.

af) Financial assets at fair value through profit or loss

Financial assets in this category are measured subsequently at fair value through profit and loss. There is no separate amortisation of premiums and discounts at constant effective interest rates. Interest and commission are recognised in interest income and interest expenses from assets, or in commission income or commission expenses. The effects from the fair value measurement are reported under profit/loss from financial assets at fair value.
Financial assets at fair value through profit or loss are divided into three subcategories:

i) Trading assets (financial assets held for trading)

This subcategory includes financial assets acquired with the intention of selling them soon thereafter. They are therefore always allocated to the “AfS” business model. In addition, all derivatives with positive fair values that are not hedging instruments used in hedging accounting are recognised under trading assets. Trading assets include primarily derivatives used for macro hedging purposes.

ii) Financial assets mandatorily at fair value through profit or loss

This subcategory includes financial assets that are either allocated to the “AfS” business model even though they are not held as trading assets, or which regardless of the business model do not meet the cash flow criterion. Newly granted loans must be recognised initially at fair value through profit or loss when they include specific contractual arrangements, such as so-called conditional terminal fees or similar clauses allowing for additional income potential (certain cash sweep or pay-as-you-earn agreements). This measurement approach is mandatory because such contractual terms are not compatible with the cash flow criterion. When significant contractual modifications lead to the initial recognition of new financial assets, these assets can also meet the requirements for mandatory measurement at fair value. In addition, financial assets may fall into this category if the creditor’s right of recourse to settle its claim is limited to only some of the debtor’s assets or to payments from these assets, and as a result of this limitation the financial instrument’s cash flows are highly dependent on the performance of the financed property (non-recourse financing). In some circumstances, this can nevertheless lead to a breach of the cash flow criterion in the case of IFRS 9 compliant contractual cash flows. This happens if the subsequent look-through test confirms that from a substance-over-form perspective, the Bank’s risks related to the specific lending are more similar to those of an investor than those of a lender. This can be the case, for example, if the relationship of the loan amount and the value of the collateral exceeds a defined threshold. In the Bank, the category Financial assets mandatorily at fair value through profit or loss includes a portfolio managed at fair value (nominal € 849.1 million) and securities which breach the SPPI criterion (nominal € 79.0 million).

iii) Financial assets designated at fair value through profit or loss

This subcategory, which is known as the fair value option, can include all financial assets that would otherwise be measured at amortised cost or at fair value through other comprehensive income. The requirement for its application is that by exercising the fair value option, the Bank will avoid or significantly reduce accounting mismatches arising from different measurement methods for financial assets and liabilities. The Bank did not use this option in the period under review.

b) Classification and measurement of financial liabilities

ba) Financial liabilities at amortised cost

This category includes, in particular, liabilities to banks and customers and securitised liabilities, insofar as such liabilities were not designated for measurement at fair value under the fair value option. Subsequent measurement is at amortised cost applying the effective interest method. Interest expenses and, if appropriate, interest income are reported under Net interest income; commission expenses are reported under Net commission income.

bb) Financial liabilities at fair value through profit or loss

The financial liabilities in this category are subsequently measured at fair value through profit and loss. There is no separate amortisation of premiums and discounts at constant effective interest rates. Interest and commission are recognised in interest expenses or interest income from financial liabilities, and in commission income or commission expenses.

Financial liabilities at fair value through profit or loss are divided into two subcategories:

i) Trading liabilities (financial liabilities held for trading)

This subcategory includes all derivatives with negative fair values that are not hedging investments in hedge accounting, and the financial liabilities that are held for trading. Trading liabilities therefore include primarily derivatives with a negative fair value.

ii) Financial liabilities designated at fair value through profit or loss

This subcategory includes the financial liabilities otherwise measured at amortised cost which the Bank has designated at fair value through profit or loss. NORD/LB CBB uses the fair value option to minimise or avoid accounting mismatches. If financial liabilities are designated at fair value, the fair value changes attributable to own counterparty risk are recognised in other comprehensive income (OCI). When the transactions are derecognised, these fair value changes are reclassified into retained earnings. Other changes in fair value as well as all fair value changes related to liabilities held for trading are reported in the income statement under profit/loss from financial assets atfair value .

The adoption of IFRS 9 does not change the methods to measure financial assets and financial liabilities in accordance with IFRS 13.

For information on the required disclosures regarding the effects of the changes in classification and measurement between IAS 39 and IFRS 9 when initially adopting IFRS 9, refer to Note ((2) Adjustment of the reporting structure).

c) Reclassifications

IFRS 9 stipulates that reclassifications may be made only as a result of a significant change in the business model. No reclassification was necessary in NORD/LB CBB during the reporting period.

d) Risk provisioning

IFRS 9 prescribes the implementation of a new impairment model. The “three-stage model” requires the recognition of credit-related expected losses on the financial asset not when the first objective indications of impairment become evident, rather immediately based on an expected loss model when the asset is initially recognised. This model must be applied across all products to all debt instruments measured at amortised cost or at fair value through other comprehensive income. Financial assets are allocated to one of three stages depending on the relative change in their credit quality since initial recognition.

When initially recognised, all relevant financial assets for which objective indications of impairment are not already evident must be allocated to Stage 1, regardless of the credit rating of the debtor. The expected losses in this stage equal the present value of the payment defaults expected from potential default events over the next twelve months. Interest income in this stage is recognised based on the gross carrying amount, i.e. by applying the effective interest rate to the carrying amount before deducting the expected losses.

If at a subsequent reporting date the Bank determines that the default risk has increased significantly since initial recognition, even though objective indications of impairment do not exist, the Bank must transfer the underlying financial assets from Stage 1 to Stage 2. In this stage, risk provisioning must be recognised for the present value of the lifetime expected credit loss, taking into account the corresponding probability of default matching the relevant maturity. Interest is realised similar to Stage 1.

NORD/LB CBB uses quantitative and qualitative criteria to determine a significant increase in default risk. The quantitative review is performed using the credit-related change in the cumulative probability of default. To do that, the Bank compares the forward-12-month probability of default defined upon initial recognition using a default profile and the actual 12-month probability of default as determined at the measurement date. In addition, the credit quality is deemed to have deteriorated significantly if qualitative criteria are met, such as either a payment in arrears of more than 30 days or if forbearance has been granted.

If on the financial reporting date there exists not only a significant increase in the default risk but also objective indications of impairment, for example default, interest and/or principal payments in arrears or concessions by the lender to support the borrower, the Bank transfers the financial asset into Stage 3 and deems it credit-impaired. As a consequence, all defaulted loan receivables in NORD/LB CBB are allocated to Stage 3. In this stage, risk provisioning likewise equals the present value of the lifetime expected credit loss. Interest is recognised based on the net carrying amount, i.e. after deducting risk provisioning. As a consequence, all defaulted loan receivables at NORD/LB CBB are allocated to Stage 3.

Financial assets which when purchased or issued already exhibit objective indications of impairment (POCI assets) are not subject to the “three stage model”. In these cases, risk provisioning is not recognised upon initial recognition of the asset, because the lifetime expected credit loss is already taken into account appropriately through the measurement at fair value upon initial recognition. Risk provisioning is then recorded in subsequent periods for the amount of the change in the lifetime expected credit loss compared with the initial expected credit loss.

NORD/LB CBB does not utilise the low credit risk exemption. Under this rule, the Bank may assume without performing another review that the increase in the default risk since initial recognition is immaterial for financial assets which exhibit only a low default risk as at the financial reporting date.

Significant criteria for a default or objective indications of impairment include, for example, arrears on interest and principal payments in excess of 90 days, or major financial difficulties on the part of the borrower, such as imputed and actual insolvency or sustained negative development of a restructuring. These criteria also include concessions by the lender, such as exemption from interest, waiver of claim or deferral of principal payments.

The impairment model is based on a symmetric approach. If as at the financial reporting date the Bank determines a significantly higher default risk is no longer present, the respective financial asset must be transferred from Stage 2 to Stage 1. The financial instrument must also be transferred from Stage 3 to Stage 2 if objective indications of impairment are no longer present. In the case of the qualitative criteria, however, periods of good conduct must sometimes be observed before the transfer can take place.

Risk provisioning is calculated in NORD/LB CBB based on each individual financial asset. The Bank uses a parameter-based approach to determine risk provisioning for all Stage 1 and 2 financial assets, as well as for non-significant Stage 3 financial assets. An expert-based approach based on multiple scenarios is used for significant Stage 3 financial assets.

The parameter-based calculation is carried out on the basis of default probabilities, loss rates and the amount of the exposure on default. For the impairment calculation under the expert-based approach, risk-based weightings are determined and attached to possible positive or negative scenarios, taking into account the particular circumstances of each market segment (e.g. historical averages) as well as the individual case (e.g. market and earning power of the financed property). The number of scenarios to be applied depends on the significance of the risk associated with the individual asset.

In the case of assets at amortised cost, the risk provisioning reduces the reported value of the balance sheet item in which the financial asset is disclosed, whereas for debt instruments measured at fair value through other comprehensive income, the risk provisioning is reported under Accumulated other comprehensive income (OCI).

The Bank also uses the expected loss model to determine the risk provisioning for off-balance-sheet transactions in the form of loan commitments and financial guarantees. In these cases risk provisioning is reported under Provisions in lending business.

If it is no longer likely that the financial assets can be realised (uncollectible loans and advances), the corresponding gross carrying amount is written off directly. Cash inflows for written-off receivables are recognised through profit and loss.

The expenses from allocations to risk provisioning and the income from reversals of risk provisioning are shown in the income statement under profit/loss from risk provisioning. The unwinding that must still be taken into account pursuant IFRS 9 for Stage 3 is reported under Net interest income.

For information on the required reconciliation of the risk provisioning balances by category between IAS 39 and IFRS 9 when initially adopting IFRS 9, please refer to Note ((2) Adjustment of the reporting structure).

e) Structured products

Structured products comprise two components: a host contract (e.g. security) and one or more embedded derivative financial instruments (e.g. swaps, futures or caps). Both components are the object of only one agreement regarding the structured product, so these products constitute a legal unit and cannot be treated separately from one another due to the single contract.

IAS 39 stipulated that an embedded derivative must be separated from the host contract and recognised on the balance sheet as a separate derivative if certain criteria are met. In contrast, under IFRS 9 the host contract and the derivative for hybrid financial assets must be classified in their entirety, and not separated. Any financial liabilities requiring separation that are not allocated to the Financial liabilities at fair value through profit or loss category are measured and reported separately. The host contract is accounted for and measured at amortised cost, whereas the embedded derivative is accounted for and measured under Trading liabilities, or as a hedging derivative, at fair value through profit and loss. At the reporting date the Bank holds no structured products.

f) Hedging relationships

IFRS 9 changes the regulations regarding general hedge accounting. The standard stipulates that reporting entities may apply either the IFRS 9 regulations from 1 January 2018 onwards or continue using the existing regulations under IAS 39. NORD/LB CBB decided to apply the new IFRS 9 standard. As under IAS 39 almost all hedges were already so-called perfect hedges, the general orientation of hedge accounting remains unchanged.

The Bank’s hedging policy will follow the risk management approach to a greater extent. Because IFRS 9 does not result in any changes in risk management from a business management perspective, the impact on the Bank’s hedge accounting is minor. NORD/LB CBB uses micro fair value hedge accounting solely for interest-rate risks. In these

situations, fixed-interest financial assets or financial liabilities are hedged using interest-rate swaps or cross-currency interest-rate swaps. This is done via 1:1, 1:N or N:1 hedge constellations. The main critical terms of the underlying transactions and hedging investments are identical. The effectiveness assessment under IFRS 9 follows prospective criteria. However, retrospective effectiveness continues to be measured and observed by the Bank.
As described above, the application of the new IFRS 9 standard does not have a material impact.

Macro hedge accounting is not covered by the published IFRS 9 and is currently being addressed by the IASB as a standalone project. Because NORD/LB CBB has not used any macro hedge accounting so far, the change will not affect the Bank as things stand at present.

g) Recognition
In accordance with the IFRS 9 classification and measurement requirements, NORD/LB CBB from reporting year 2018 onwards gears its reporting on financial instruments towards measurement categories set out in IFRS 9. As a result, the structure of the income statement and the balance sheet also changes. The relevant corresponding figures of the previous year are compared with the IFRS 9 values. As permitted, the Bank did not restate retrospectively the prior-year figures to account for the new IFRS 9 requirements. The effects resulting from the initial application of IFRS 9 as at 1 January 2018 are recognised directly in equity. The values for the reporting period 2018 are therefore compared with prior-year figures determined using the requirements of IAS 39 for the same period in 2017. For an explanation of the changes to the structure of the income statement and balance sheet, please refer to the reconciliation in Note ((2) Adjustment of the reporting structure).

IFRS 15 – Revenue from Contracts with Customers
The currently applicable standards for revenue recognition (IAS 18 and IAS 11) and the related interpretations will be replaced from 2018 by IFRS 15. IFRS 15 provides for a new principle-based five-step model for the accounting and recognition of revenue. The requirements of the new IFRS 15 standard do not deviate fundamentally from the requirements under IAS 11 and IAS 18. However, they impact the amount and timing of income recognition, and the allocation of income in the income statement. The standard is fundamentally applicable for all contracts with customers of NORD/LB CBB, but in many cases it is not relevant for the Bank because large parts of the income in the statement of comprehensive income are subject to the provisions of other standards. IFRS 15 is mainly applicable to the accounting of commission income, i.e. to the Bank's service business.
In principle, the Bank recognises income in compliance with the respective accounting standard. Commission income that must be realised at a specific point in time is recognised in the income statement when the service is performed. This relates primarily to commission income from account management and payment transactions as well as to brokerage business. The control over agreed services passes directly to customers when the services are rendered, even if the services are sometimes invoiced to the customers only after the fact. A right of return or refunds do not exist for these services.
If services are rendered across multiple periods, income from service transactions is recognised on the financial reporting date according to the degree of completion of the transaction's performance obligations. This applies mainly to commission income from the lending business and custody service. Services in NORD/LB CBB that relate to a specified period of time are usually rendered on an ongoing basis in equal increments over the relevant time period. In these cases, the Bank usually has a claim to reimbursement from the customer immediately when the service is rendered. During the year, the Bank recognises either a contract asset or a contract liability depending on whether payment is made before or after the service is rendered.

The income amounts to the contractually agreed transaction price. In many cases, remuneration is due when the service is rendered. Invoices are issued either in advance of, at the time of, or after the service is rendered. If the transaction price must be allocated to multiple service categories, the Bank makes the allocation based on the stand-alone sales prices of the individual services.
If not already paid by the customer, income from customer agreements for services rendered are reported as trade receivables under Other assets. Conditional income from customer agreements as well as capitalised contract costs are likewise reported as contract assets under Other assets. Remuneration paid by customers for unperformed services is deferred as a contract liability under Other liabilities and is recognised as income in the period when the service is rendered.
At the time of initial application, NORD/LB CBB applied IFRS 15 on a modified retrospective basis. The introduction of the standard had no impact on the presentation of the financial position, assets and earnings position of the Bank.

Besides IFRS 9 and IFRS 15, the following amendments to standards requiring mandatory adoption as at 1 January 2018 were applied during the reporting period:

Amendments to IAS 40 – Transfers of Investment Property
In December 2016, the IASB published amendments to IAS 40 in order to clarify the guidelines for transfers to or from investment property holdings. It was made clear that such a transfer can take place only in the case of changes in use which are appropriately documented, and that this principle also applies for properties under construction or development. The list of documents in IAS 40.57 has been converted into a non-conclusive list. There are currently no circumstances in NORD/LB CBB to which the amendments to IAS 40 apply.

Improvements to IFRS (cycle 2014 – 2016) under the IASB's annual improvement process
Amendments were made to IFRS 1 and IAS 28 as part of the annual improvement process. For IFRS 1 the short-term exemptions for first-time users were eliminated. The amendment to IAS 28 specifies the option for venture capital companies regarding the carrying amount of certain investments. These clarifications do not have an effect on NORD/LB CBB's interim report.

As permitted, NORD/LB CBB has decided against early adoption of IFRS 16 together with the adoption of IFRS 15.

IFRS 16 – Leasing
In January 2016, the IASB issued the new standard IFRS 16 on the recognition of lease agreements. This new standard replaces the previous standard IAS 17 in conjunction with interpretations IFRIC 4, SIC-15 and SIC-27. It was adopted into European law in November 2017. In principle, the scope of application covers all contracts for which the right to use or control an asset is transferred for an agreed period against remuneration.
NORD/LB CBB will apply IFRS 16 starting from the mandatory initial adoption date as of 1 January 2019.
In particular, the new standard affects the Bank's accounting as a lessee. IFRS 16 will ensure a uniform accounting model for lessees in the future, under which right-of-use assets and leasing liabilities for leases will be recorded – with certain exceptions for short-term and low-value leases.
The financial position, assets and earnings position of the Bank are primarily affected by an increase in total assets recognised in the balance sheet. This increase results from the standard's requirement to recognise the usage rights and liabilities for leases that are currently classified under IAS 17 as operating leases and therefore not recognised in the balance sheet. Moreover, breaking down expenses into a depreciation component and an interest component using the effective interest method results in the degressive development of expense and the earlier recognition of expenses in the earlier periods of the term of a lease agreement.
A detailed analysis of the effects on NORD/LB CBB is currently being carried out within the scope of a project on the implementation of IFRS 16. The Bank sees the potential to exercise the options granted pursuant to IFRS 16 primarily for lease agreements relating to operating and business equipment. In addition, NORD/LB CBB will exercise

the option not to record leasing arrangements for other intangible assets in accordance with IFRS 16. It is planned to disclose the cumulative effect of the initial application of IFRS 16 in equity on a modified retrospective basis.

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

The estimates and assessments required to carry out the accounting pursuant to IFRS are based on assumptions and parameters that were made with the proper exercise of discretion by management. This affects assets and liabilities, contingent assets and liabilities as at the reporting date, and income and expenses for the reporting period. Actual events may deviate from the estimates made by management.

Segment Reporting

Segment reporting by business segment

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.

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

in € thousand (01.01.2018 – 30.06.2018 / 01.01.2017 – 30.06.2017)	Financial Markets & Sales	Loans	Client Services & B2B	Bank Management & Other	Total profit/loss
Net interest income	8,643	42,649	615	2,003	53,911
Ditto previous year	9,963	44,246	534	1,292	56,034
Dividend income	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Net commission income	1,455	-23,190	-267	0	-22,002
Ditto previous year	2,023	-17,763	-29	-4	-15,773
Profit/loss from financial instruments not measured at fair value through profit or loss	0	0	0	0	0
Ditto previous year	-255	19	0	0	-236
Profit/loss from financial instruments at fair value through profit or loss	-7,201	0	0	-11,751	-18,952
Ditto previous year	5,928	0	0	0	5,928
Profit/loss from hedges	0	0	0	-7,734	-7,734
Ditto previous year	0	0	0	-3,756	-3,756
Foreign exchange result	143	0	0	0	143
Ditto previous year	-717	0	0	0	-717
Profit/loss from the disposal of non-financial assets	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Other operating profit/loss	-1,341	-213	354	-3,694	-4,893
Ditto previous year	-1,142	-188	559	-4,332	-5,103
Administrative expenses	-5,242	-5,242	-2,404	-4,989	-17,876
Ditto previous year	-5,376	-5,376	-1,311	-6,921	-18,984
Amortisation and depreciation	-424	-424	-82	-370	-1,300
Ditto previous year	-454	-454	-51	-396	-1,354
Profit/loss from modifications	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Provisioning result	2	88	2	0	91
Ditto previous year	0	21	89	0	110
Risk provisioning result – not measured at FV through profit or loss	268	965	-7	0	1,226
Ditto previous year	2,114	-3,015	16	0	-884

Valuation allowances shares in companies	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Valuation allowances non-financial assets	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Negative goodwill	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Profit/loss from shares in companies	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Profit/loss from assets held for sale	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Reorganisation expenses	0	0	0	0	0
Ditto previous year	0	0	0	0	0
Earnings before taxes	**-3,695**	**14,633**	**-1,789**	**-26,535**	**-17,387**
Ditto previous year	**12,085**	**17,491**	**-193**	**-14,117**	**15,266**
Taxes				4,509	4,509
Ditto previous year				-3,780	-3,780
Profit/loss for the financial year	**-3,695**	**14,633**	**-1,789**	**-22,026**	**-12,877**
Ditto previous year	**12,085**	**17,491**	**-193**	**-17,897**	**11,485**
Segment assets (in million)	7,008	8,384	40	101	15,533
Ditto previous year	7,813	7,905	44	94	15,856
Segment liabilities (in million)	13,253	1,426	133	721	15,533
Ditto previous year	14,017	900	141	798	15,856
Risk-weighted assets combined financial statements (average values, in million)	1,056	2,959	35	100	4,151
Ditto previous year	1,180	2,878	55	86	4,199
Capital commitment (in million)	84.52	236.7	2.8	8.0	332.0
Ditto previous year	94.42	230.3	4.4	6.9	335.9
CIR *)	332.9%	29.3%	353.4%	-25.3%	3,404.1%
Ditto previous year	36.9%	22.2%	128.0%	-107.6%	55.9%
RoRaC **)	-5.8%	12.4%	-91.4%	-572.6%	-9.7%
Ditto previous year	17.3%	15.2%	-8.8%	-335.3%	8.4%

*) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components for the reference date in the previous year. As at 30 June 2018, the cost/income ratio is calculated by dividing administrative expenses by the total of net interest income, net commission income, profit/loss from financial instruments at fair value through profit or loss, foreign exchange result, profit/loss from hedge accounting, allocations to and reversals of provisions, and other operating profit/loss.

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

Supplementary information in accordance with CSSF Circular 16/636:

The **cost/income ratio** is a ratio to measure efficiency.

As at 30 June 2017, the cost/income ratio was calculated by dividing administrative expenses by earnings before taxes, costs (administrative expenses) and risk components.

	30.06.2017
Cost/income ratio	55.9%
(in € million)	
Administrative expenses	20.3
Earnings after taxes	11.5
Taxes	3.8
Costs (administrative expenses)	20.3
Risk components	-0.8

As at 30 June 2018, the cost/income ratio is calculated by dividing administrative expenses by the total of net interest income, net commission income, profit/loss from financial instruments at fair value through profit or loss, foreign exchange result, profit/loss from hedge accounting, allocations to and reversals of provisions, and other operating profit/loss. The new method of calculation is due to a change in the parent company's approach.

	30.06.2018	30.06.2017
Cost/income ratio	3,404.1%	55.5%
(in € million)		
Operating costs	19.2	20.3
Net interest income	53.9	56.0
Net commission income	-22.0	-15.8
Profit/loss from financial instruments at FV	-19.0	5.2
Foreign exchange result	0.1	0.0
Profit/loss from hedge	-7.7	-3.8
Allocations to and reversals of provisions	0.1	0.0
Other operating profit/loss	-4.9	-5.1

"**RoRaC**" (return on risk-adjusted capital) is a ratio to measure risk-adjusted performance. It is the ratio of earnings before taxes during a period and the higher of the limit for committed capital and committed capital.

	30.06.2018	30.06.2017
RoRaC	-9.7%	8.4%
(in € million)		
Earnings before taxes	-17.4	15.3
Limit for committed capital	357.2	364.6
Committed capital	332.0	335.9

in € million	Financial Markets & Sales	Loans	Client Services & B2B	Bank Management & Other	Profit/loss total
Property and equipment, net				64.58	64.58
Ditto previous year				65.69	65.69
Depreciation of property and equipment, current year				-0.81	-0.81
Ditto previous year				-0.76	-0.76
Intangible assets, net				25.45	25.45
Ditto previous year				24.04	24.04
Amortisation of intangible assets, current year				-0.49	-0.49
Ditto previous year				-0.59	-0.59
Δ YTD risk provisioning on financial assets	266.99	3.22	0.00	0.00	270.21
Ditto previous year	1.91	0.00	0.00	0.00	1.91

(6) Net interest income

Interest income and expenses contain received and paid interest income and expenses, deferred interest and the amortisation of premiums and discounts based on constant effective interest rates.

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Changes (in %)
Interest income from assets	**221,933**	**234,678**	**-5**
Interest income from financial assets measured at fair value through profit or loss	**22,110**	**4,184**	**> 100**
Interest income from trading assets	17,597	491	> 100
Interest income from trading derivatives	17,351	284	> 100
Interest income from debt securities and other fixed-interest securities	0	0	–
Interest income from receivables	246	208	19
Interest income from financial instruments requiring measurement at fair value	4,513	0	> 100
Interest income from debt securities and other fixed-interest securities	3,749	0	> 100
Interest income from receivables	764	0	> 100
Interest income from financial assets designated at fair value through profit or loss	0	3,693	-100
Interest income from debt securities and other fixed-interest securities	0	3,693	-100
Interest income from receivables	0	0	–
Interest income from financial assets measured at fair value through other comprehensive income	**11,291**	**15,436**	**-27**
Interest income from debt securities and other fixed-interest securities	11,291	15,436	-27
Interest income from receivables	0	0	–
Interest income from impaired debt securities and other fixed-interest securities and receivables	0	0	–
Interest income from financial assets measured at amortised cost	**133,706**	**140,087**	**-5**
Interest income from debt securities and other fixed-interest securities	34,252	38,884	-12
Interest income from receivables	99,446	101,200	-2
Interest income from impaired debt securities and other fixed-interest securities and receivables	8	3	> 100
Interest income from hedge derivatives	**56,408**	**78,159**	**-28**
Other interest income and similar income	**19**	**17**	**14**
Interest expenses from assets	**-1,600**	**-3,205**	**-50**
Interest expenses from liabilities	**-168,023**	**-178,644**	**-6**
Interest expenses from financial liabilities measured at fair value through profit or loss	**-36,849**	**-2,771**	**> 100**
Interest expenses from trading liabilities	-28,513	-402	> 100
Interest expenses from trading derivatives	-28,513	-402	> 100
Interest expenses from deposits	0	0	–
Interest expenses from securitised liabilities	0	0	–
Interest expenses from other trading liabilities	0	0	–
Interest expenses from financial liabilities designated at fair value through profit or loss	**-8,336**	**-2,369**	**> 100**
Interest expenses from deposits	0	0	–
Interest expenses from securitised liabilities	-8,336	-2,369	> 100
Interest expenses from other financial liabilities designated at fair value through profit or loss	0	0	–
Interest expenses from financial liabilities at amortised cost	**-78,294**	**-79,658**	**-2**

Interest expenses from deposits	-64,788	-67,061	-3
Interest expenses from securitised liabilities	-13,506	-12,597	7
Interest expenses from other financial liabilities at amortised cost	0	0	–
Interest expenses from hedge derivatives	**-56,916**	**-102,068**	**-44**
Other interest expenses and similar expenses	**-5**	**-1**	**> 100**
Interest income from financial liabilities	**4,041**	**5,854**	**-31**
Total	**53,911**	**56,034**	**-4**

(7) Net commission income

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Changes (in %)
Commission income	**5,445**	**8,177**	**-33**
Lending and guarantee business	2,374	3,838	-38
Account management and payment transactions	82	80	2
Trust activities	0	0	–
Security transactions and custody service	2,872	4,001	-28
Brokerage business	0	0	–
Other commission income	116	258	-55
Commission expenses	**-27,446**	**-23,950**	**15**
Lending and guarantee business	-6,335	-9,655	-34
Account management and payment transactions	-75	-98	-24
Trust activities	0	0	–
Security transactions and custody service	-551	-518	6
Brokerage business	-19,559	-12,393	58
Other commission expenses	-926	-1,284	-28
Total	**-22,002**	**-15,773**	**39**

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

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Changes (in %)
Trading profit/loss	**-14,342**	**3,126**	**< -100**
Profit/loss from derivatives	-14,302	3,105	< -100
- Interest-rate risks	-2,762	1,671	< -100
- Currency risks	-11,540	1,434	< -100
- Share price and other price risks	0	0	–
- Credit derivatives	0	0	–
Profit/loss from equity instruments	0	0	–
Profit/loss from debt securities and other fixed-interest securities	0	0	< -100
Profit/loss from receivables held for trading	-39	21	< -100
Profit/loss from short-sales	0	0	–
Profit/loss from deposits	0	0	–
Profit/loss from securitised liabilities	0	0	–
Profit/loss from other financial liabilities	0	0	–
Other trading profit/loss	0	0	–
Profit/loss from financial assets mandatorily at fair value through profit or loss	**-3,545**	**0**	**> 100**
Profit/loss from equity instruments	0	0	–
Profit/loss from debt securities and other fixed-interest securities	-2,738	0	> 100
Profit/loss from receivables	-807	0	> 100
Other profit/loss from financial assets mandatorily at fair value through profit or loss	0	0	–
Profit/loss from financial instruments designated at fair value through profit and loss	**-1,066**	**2,802**	**< -100**
Profit/loss from debt securities and other fixed-interest securities	0	-5,792	-100
Profit/loss from receivables	0	0	–
Profit/loss from deposits	0	0	–
Profit/loss from securitised liabilities	-1,066	8,594	< -100
Profit/loss from other financial liabilities	0	0	–
Other profit/loss from financial instruments designated at fair value through profit and loss	0	0	–
Total	**-18,952**	**5,928**	**< -100**

(9) Impairment result from financial assets not measured at fair value through profit or loss

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Changes (in %)
Risk provisioning for financial assets at fair value through other comprehensive income	**-5**	**0**	**> 100**
Income from the reversal of risk provisioning for			–
Debt securities and other fixed-interest securities	4	0	> 100
Loans and advances	0	0	–
Expenses from the allocation to risk provisioning for			
Debt securities and other fixed-interest securities	-9	0	> 100
Loans and advances	0	0	–
Risk provisioning from financial assets measured at amortised cost	**1,231**	**-884**	**< -100**
Income from the reversal of risk provisioning for			–
Debt securities and other fixed-interest securities	300	1,906	-84
Loans and advances	1,475	566	> 100
Expenses from the allocation to risk provisioning for			
Debt securities and other fixed-interest securities	-25	0	> 100
Loans and advances	-519	-3,356	-85
Additions to receivables written off	**0**	**0**	**–**
Direct write-offs	**0**	**0**	**–**
Premium payments for credit insurance	**0**	**0**	**–**
Total	**1,226**	**-884**	**< -100**

(10) Disposal result from financial instruments not measured at fair value through profit or loss

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Change (in %)
Profit/loss from the disposal of financial assets at fair value through other comprehensive income	**0**	**– 255**	**> 100**
Profit/loss from the disposal of			
Debt securities and other fixed-interest securities	0	– 255	> 100
Loans and advances	–	–	–
Profit/loss from the disposal of financial assets at amortised cost	**–**	**19**	**– 100**
Profit/loss from the disposal of			
Debt securities and other fixed-interest securities	–	–	–
Loans and advances	–	19	– 100
Profit/loss from the disposal of financial liabilities at amortised cost	–	–	–
Profit/loss from the disposal of			
Deposits	–	–	–
Securitised liabilities	–	–	–
Other disposal profit/loss	**–**	**–**	**–**
Total	**0**	**– 236**	**> 100**

(11) 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. Hedged underlying transactions include loans and advances or liabilities to banks and customers, financial assets and own issues.

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Change (in %)
Profit/loss from micro fair value hedges	**-7,734**	**-3,756**	**> 100**
From hedged underlying transactions	-55,410	-52,559	5
From derivatives employed as hedging instruments	47,675	48,803	-2
Profit/loss from portfolio fair value hedges	**0**	**0**	**–**
From hedged underlying transactions	0	0	–
From derivatives employed as hedging instruments	0	0	–
Total	**-7,734**	**-3,756**	**> 100**

(12) Foreign exchange result

The foreign exchange result improved by € 860 thousand to € 143 thousand.

(13) Administrative expenses

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Change (in %)
Staff expenses	**-10,268**	**-10,813**	**-5**
Wages and salaries	-8,983	-9,345	-4
Social insurance contributions	-733	-827	-11
Expenditure on pension schemes and other benefits	-469	-528	-11
Other staff expenses	-84	-114	-27
Other administrative expenses	**-7,608**	**-8,170**	**-7**
Costs for IT and communications	-3,739	-3,474	8
Building occupancy costs	-279	-318	-12
Expenses for marketing, communications and entertainment	-78	-127	-39
Personnel-related material expenses	-305	-634	-52
Costs for legal, auditing, appraisal and consulting services	-1,746	-2,403	-27
Levies and contributions	-406	-177	> 100
Expenses for operating and office equipment	-3	-5	-42
Other services	0	0	–
Other administrative expenses	-1,052	-1,032	2
Total	**-17,876**	**-18,984**	**-6**

(14) Amortisation and depreciation

	01.01.2018- 30.06.2018- (in € thousand)	01.01.2017- 30.06.2017 (in € thousand)	Change (in %)
Property and equipment	-812	-764	6
Investment property	0	0	–
Intangible assets	-488	-590	-17
Total	**-1,300**	**-1,354**	**-4**

(15) Other operating profit/loss

	01.01.2018- 30.06.2018- (in € thousand)	01.01.2017- 30.06.2017 (in € thousand)	Change (in %)
Other operating profit/loss	**2,611**	**658**	**> 100**
Rental income from investment properties	354	523	-32
Cost reimbursements	0	6	-100
Income from the reversal of provisions	166	110	51
Other operating income	2,092	19	> 100
Other operating expenses	**-7,413**	**-5,650**	31
Expenses from the bank levy	-5,390	-3,982	31
Other taxes	-16	-16	0
Expenses from the allocation to provisions	-74	0	> 100
Other operating expenses	-1,932	-1,653	26
Total	**-4,802**	**-4,993**	**-4**

Other operating income results primarily from prior-period value-added tax income (€ 2,088 thousand; previous year: € 0) and rental income (€ 354 thousand; previous year: € 523 thousand).

Other operating expenses include mostly expenses from the bank levy (€ -5,390 thousand; previous year: € -3,982 thousand) and the cost allocations with the Group (€ -1,771 thousand; previous year: € -1,466 thousand).

(16) 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.

	01.01.2018-30.06.2018- (in € thousand)	01.01.2017-30.06.2017 (in € thousand)	Change (in %)
Current income taxes	0	-3,976	-100
Deferred taxes	4,509	196	> 100
Total	**4,509**	**-3,780**	**< -100**

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

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Trading assets	**161.9**	**128.3**	**26**
Positive fair values from derivatives			
- Interest-rate risks	29.6	27.4	8
- Currency risks	109.9	99.7	10
- Share-price and other price risks	0.0	0.0	–
Debt securities and other fixed-interest securities	0.0	0.0	–
Loans and advances to banks	0.0	0.0	–
Loans and advances to customers	22.4	1.2	> 100
Financial assets mandatorily at fair value through profit or loss	**1,024.3**	**943.3**	**9**
Debt securities and other fixed-interest securities	990.4	906.3	9
Loans and advances to banks	28.7	31.7	-10
Loans and advances to customers	5.2	5.2	0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**–**
Debt securities and other fixed-interest securities	0.0	0.0	–
Loans and advances to banks	0.0	0.0	–
Loans and advances to customers	0.0	0.0	–
Total	**1,186.2**	**1,071.6**	**11**

(18) Financial assets at fair value through other comprehensive income

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Equity instruments	0.0	0.0	–
Debt securities and other fixed-interest securities	2,103.9	2,199.8	-4
Loans and advances to banks	0.0	0.0	–
Loans and advances to customers	0.0	0.0	–
Total	**2,103.9**	**2,199.8**	**-4**

The change in the risk provisioning recognised in other comprehensive income (OCI) related to this item is presented under Note ((29) Risk provisioning and gross carrying amount).

(19) Financial assets at amortised cost

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Debt securities and other fixed-interest securities	1,785.9	1,968.0	-9
Loans and advances to banks	1,186.8	764.9	55
Loans and advances to customers	8,475.9	8,618.0	-2
Total	**11,448.5**	**11,350.9**	**1**

(20) Property and equipment

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Land and buildings	61.4	61.7	0
Operating and office equipment	3.2	3.6	-12
Total	**64.6**	**65.3**	**-1**

(21) Intangible assets

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Software	9.4	9.5	-1
- Purchased	9.4	9.5	-1
- Internally developed	0.0	0.0	–
Prepayments made and intangible assets under development	16.1	12.6	28
Other	0.0	0.0	–
Total	**25.5**	**22.1**	**15**

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

(22) Other assets

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Tax assets from other taxes	0.2	1.2	-79
Prepaid expenses	1.6	0.6	> 100
Other assets	1.4	2.0	-32
Total	**3.2**	**3.8**	**-15**

Other assets mainly consist of receivables from intragroup service charging (€ 1.3 million; previous year: € 0.5 million) and from prepaid expenses (€ 1.6 million; previous year: € 0.6 million).

(23) Trading liabilities and financial liabilities at fair value through profit or loss

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Trading liabilities	**88.7**	**78.6**	**13**
Negative fair values from derivatives			
- Interest-rate risks	60.7	61.4	-1
- Currency risks	28.1	17.1	64
- Share-price and other price risks	0.0	0.0	–
Financial liabilities designated at fair value through profit or loss	**1,607.6**	**1,043.3**	**54**
Deposits			
- Liabilities to banks	0.0	0.0	–
- Liabilities to customers	0.0	0.0	–
Securitised liabilities	1,607.6	1,043.3	54
Total	**1,696.3**	**1,121.9**	**51**

The financial liabilities designated at fair value result from own issues to avoid an accounting mismatch. Most of the issues (€ 1,059.0 million; previous year: € 499.3 million) consist of covered bonds under Luxembourg Law (Lettres de Gage) listed on the Luxembourg exchange.

(24) Financial liabilities at amortised cost

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Deposits	**8,930.1**	**9,221.8**	**-3**
Deposits by banks	5,525.4	6,011.1	-8
Deposits by customers	3,404.8	3,210.7	6
Other liabilities	0.0	0.0	–
Subordinated liabilities	0.0	0.0	–
Securitised liabilities	**3,746.5**	**3,750.0**	**0**
Covered bonds	1,911.7	1,915.2	0
Municipal debentures	0.0	0.0	–
Other securitised liabilities	1,834.8	1,834.8	0
Subordinated securitised liabilities	0.0	0.0	–
Other financial obligations	**0.0**	**0.0**	**–**
Total	**12,676.7**	**12,971.7**	**-2**

The covered bonds issued are covered bonds under Luxembourg Law (Lettres de Gage), € 1,852.5 million of which are listed on the Luxembourg exchange (previous year: € 1,854.3 million). Lettres de Gage are listed on the Swiss exchange at an equivalent of € 59.2 million (previous year: € 60.9 million).

(25) Provisions

Provisions are broken down as follows:

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Provisions for pensions and similar obligations	**3.7**	**3.7**	**0**
Other provisions	**10.2**	**10.8**	**-6**
Provisions for personnel-related matters	1.0	1.2	-22
Provisions in lending business	1.3	1.4	-2
Provisions for litigation and recourse risks	0.0	0.0	–
Provisions for reorganisation measures	7.9	8.2	-3
Other provisions	0.0	0.1	-100
Total	**13.9**	**14.5**	**-4**

Provisions for pensions

NORD/LB CBB has not recalculated its provisions for pensions as at 30 June 2018. The applicable discount rate for pension provisions increased as at the reporting date to 2.20 per cent, from 2.15 per cent previously. A sensitivity analysis performed on this change shows that it results in a decrease of about € 43 thousand in the provisions for pensions. Most of this decrease 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 adjustment was immaterial.

Provisions for reorganisation measures mainly relate to obligations towards employees in connection with a restructuring project. The payment obligations relate primarily to the years 2018 and 2019.

Given the short duration of the reorganisation and other provisions, and in connection with the generally low level of interest rates, the Bank decided against discounting the provisions.

(26) Other liabilities

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Liabilities from interim accounts	0.0	0.0	> 100
Liabilities from short-term employee remuneration	1.8	1.2	52
Liabilities resulting from outstanding invoices	3.7	3.1	17
Liabilities from payable taxes and social insurance contributions	1.2	3.2	-62
Deferred income	1.6	1.5	1
Contract liabilities	0.0	0.0	–
Other liabilities	2.1	1.5	42
Total	**10.3**	**10.6**	**-2**

Liabilities from short-term employee remuneration (€ 1.8 million; previous year: € 1.2 million) largely comprise residual holiday entitlements. Other liabilities also include liabilities resulting from outstanding invoices (€ 3.7 million; previous year: € 3.1 million), payable taxes and social insurance contributions (€ 1.2 million; previous year: € 3.2 million) and deferred income (€ 1.6 million; previous year: € 1.5 million). Other liabilities (€ 2.1 million; previous year: € 1.5 million) include liabilities from VAT as at the reporting date.

(27) Equity

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Subscribed capital	205.0	205.0	0
Capital reserves	0.0	0.0	–
Retained earnings	454.4	455.1	-1
Accumulated other comprehensive income (OCI)	25.7	29.0	-11
Other equity	-12.9	29.3	< -100
Total	**672.3**	**718.5**	**-7**

Notes to financial instruments

Fair value of financial instruments

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 have 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. 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. One 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 applied for the Level 2 measurements. 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 2018 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 departments 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 input are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 measurement 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 if the procedure applies 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 departments. Models, input data and the resultant fair values are reviewed regularly.

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.

NORD/LB CBB sets the prices for Level 1 and 2 securities using a selection procedure based on fuzzy theory. This approach uses mathematical logic to mimic human decision-making behaviour in the pricing process to determine 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 based on a combination of a few providers specialised in pricing and methods using 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 currently not used at NORD/LB CBB, prices are determined in accordance with a Group-wide standard discounted cash flow method based on ratings-based default probabilities.

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 in the measurement of fair value 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 assets and their classification in the fair value hierarchy are compared with their corresponding carrying amounts in the following table.

in € million	30.06.2018					
	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	**471.3**	**0.0**	**0.0**	**471.3**	**471.3**	**0.0**
Trading assets	**0.0**	**161.9**	**0.0**	**161.9**	**161.9**	**0.0**
Positive fair values from derivatives	0.0	139.5	0.0	139.5	139.5	0.0
interest rate risks	0.0	29.6	0.0	29.6	29.6	0.0
Currency risks	0.0	109.9	0.0	109.9	109.9	0.0
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	22.4	0.0	22.4	22.4	0.0
Financial assets mandatorily at fair value through profit or loss	**966.4**	**57.8**	**0.0**	**1,024.3**	**1,024.3**	**0.0**
Debt securities and other fixed-interest securities	966.4	23.9	0.0	990.4	990.4	0.0
Loans and advances	0.0	33.9	0.0	33.9	33.9	0.0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**1,621.2**	**482.7**	**0.0**	**2,103.9**	**2,103.9**	**0.0**
Debt securities and other fixed-interest securities	1,621.2	482.7	0.0	2,103.9	2,103.9	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	**432.1**	**1,588.4**	**9,452.6**	**11,473.1**	**11,448.5**	**24.6**
Debt securities and other fixed-interest securities	85.2	1,552.8	0.0	1,638.0	1,785.9	-147.9
Loans and advances	346.9	35.6	9,452.6	9,835.1	9,662.6	172.5
Positive fair values from hedge accounting derivatives	**0.0**	**221.4**	**0.0**	**221.4**	**221.4**	**0.0**
Interest-rate risks	0.0	198.4	0.0	198.4	198.4	0.0
Currency risks	0.0	23.0	0.0	23.0	23.0	0.0
Total	**3,490.9**	**2,651.7**	**9,452.6**	**15,595.3**	**15,570.7**	**24.6**

in € million	31.12.2017					
	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	**448.3**	**0.0**	**0.0**	**448.3**	**448.3**	**0.0**
Trading assets	**0.0**	**128.3**	**0.0**	**128.3**	**128.3**	**0.0**
Positive fair values from derivatives	0.0	127.1	0.0	127.1	127.1	0.0
Interest-rate risks	0.0	27.4	0.0	27.4	27.4	0.0
Currency risks	0.0	99.7	0.0	99.7	99.7	0.0
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	1.2	0.0	1.2	1.2	0.0
Financial assets mandatorily at fair value through profit or loss	**873.1**	**70.2**	**0.0**	**943.3**	**943.3**	**0.0**
Debt securities and other fixed-interest securities	873.1	33.3	0.0	906.3	906.3	0.0
Loans and advances	0.0	37.0	0.0	37.0	37.0	0.0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**1,617.4**	**582.4**	**0.0**	**2,199.8**	**2,199.8**	**0.0**
Debt securities and other fixed-interest securities	1,617.4	582.4	0.0	2,199.8	2,199.8	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	**649.2**	**1,695.4**	**9,083.5**	**11,428.1**	**11,350.9**	**77.2**
Debt securities and other fixed-interest securities	220.3	1,577.0	0.0	1,797.3	1,968.0	-170.7
Loans and advances	428.9	118.4	9,083.5	9,630.8	9,382.9	247.9
Positive fair values from hedge accounting derivatives	**0.0**	**219.8**	**0.0**	**219.8**	**219.8**	**0.0**
Interest-rate risks	0.0	195.4	0.0	195.4	195.4	0.0
Currency risks	0.0	24.4	0.0	24.4	24.4	0.0
Total	**3,588.0**	**2,823.2**	**9,083.5**	**15,494.7**	**15,417.5**	**77.2**

The fair values of financial liabilities and their classification in the fair value hierarchy are compared with their corresponding carrying amounts in the following table.

in € million	30.06.2018					
	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	**0.0**	**88.7**	**0.0**	**88.7**	**88.7**	**0.0**
Negative fair values from derivatives	0.0	88.7	0.0	88.7	88.7	0.0
Interest-rate risks	0.0	60.7	0.0	60.7	60.7	0.0
Currency risks	0.0	28.1	0.0	28.1	28.1	0.0
Financial liabilities designated at fair value through profit or loss	**1,059.0**	**548.6**	**0.0**	**1,607.6**	**1,607.6**	**0.0**
Securitised liabilities	1,059.0	548.6	0.0	1,607.6	1,607.6	0.0
Financial liabilities at amortised cost	**2,234.1**	**3,787.5**	**6,831.1**	**12,852.8**	**12,676.7**	**176.1**
Deposits	724.7	1,534.7	6,831.1	9,090.5	8,930.1	160.4
Securitised liabilities	1,509.4	2,252.8	0.0	3,762.2	3,746.5	15.7
Negative fair values from hedge accounting derivatives	**0.0**	**433.1**	**0.0**	**433.1**	**433.1**	**0.0**
Interest-rate risks	0.0	366.4	0.0	366.4	366.4	0.0
Currency risks	0.0	66.7	0.0	66.7	66.7	0.0
Total	**3,293.1**	**4,857.9**	**6,831.1**	**14,982.1**	**14,806.0**	**176.1**

in € million	31.12.2017					
	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	**0.0**	**78.6**	**0.0**	**78.6**	**78.6**	**0.0**
Negative fair values from derivatives	0.0	78.6	0.0	78.6	78.6	0.0
Interest-rate risks	0.0	61.4	0.0	61.4	61.4	0.0
Currency risks	0.0	17.1	0.0	17.1	17.1	0.0
Financial liabilities designated at fair value through profit or loss	**499.3**	**544.0**	**0.0**	**1,043.3**	**1,043.3**	**0.0**
Securitised liabilities	499.3	544.0	0.0	1,043.3	1,043.3	0.0
Financial liabilities at amortised cost	**2,078.7**	**3,775.3**	**7,311.9**	**13,165.8**	**12,971.7**	**194.1**
Deposits	569.2	1,520.0	7,311.9	9,401.1	9,221.8	179.3
Securitised liabilities	1,509.4	2,255.3	0.0	3,764.7	3,750.0	14.7
Negative fair values from hedge accounting derivatives	**0.0**	**514.0**	**0.0**	**514.0**	**514.0**	**0.0**
Interest-rate risks	0.0	444.2	0.0	444.2	444.2	0.0
Currency risks	0.0	69.8	0.0	69.8	69.8	0.0
Total	**2,578.0**	**4,911.8**	**7,311.9**	**14,801.7**	**14,607.6**	**194.1**

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” column contain the assets and liabilities recognised 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 debt securities and other fixed-interest securities amounting to € 147.9 million were down by € 22.8 million compared with the previous year (€ 170.7 million).

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:

01.01.2018 – 30.06.2018 **(in € 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**
Trading assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Positive fair values from derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets mandatorily at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**94.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	94.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Positive fair values from hedge accounting derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0
Trading liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Negative fair values from derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0

Currency risks	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Negative fair values from hedge accounting derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0

Three securities in the OCI category switched from Level 2 to Level 1 as a result of improved liquidity. Approximately 1 per cent of the total stock of securities in the NORD/LB CBB portfolio were subject to level transfers.

The following level transfers took place in the previous year:

01.01.2017 - 31.12.2017 (in € 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**
Trading assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Positive fair values from derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets mandatorily at fair value through profit or loss	**0.0**	**0.0**	**27.7**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	27.7	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**0.0**	**0.0**	**94.6**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	94.6	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Positive fair values from hedge accounting derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0
Trading liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Negative fair values from derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0

01.01.2017 - 31.12.2017 (in € 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
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**0.0**	**0.0**	**501.2**	**0.0**	**0.0**	**0.0**
Securitised liabilities	0.0	0.0	501.2	0.0	0.0	0.0
Negative fair values from hedge accounting derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest-rate risks	0.0	0.0	0.0	0.0	0.0	0.0
Currency risks	0.0	0.0	0.0	0.0	0.0	0.0

The Bank transferred one security in the category “Financial assets designated at fair value” in the first quarter from matrix measurement (Level 2) to market measurement (Level 1). In addition, it transferred eight securities (one in the first quarter, four in the second quarter and three in the fourth quarter) in the “OCI” category from matrix measurement (Level 2) to market measurement (Level 1). Furthermore, one security in the category “Financial liabilities designated at fair value” was transferred in the first quarter from matrix measurement (Level 2) to market measurement (Level 1). Approximately 6 per cent of the total stock of securities in the NORD/LB CBB portfolio were subject to level transfers.

(29) Risk provisioning and gross carrying amount

The following overview presents the change during the reporting period in the risk provisioning for financial assets not measured at fair value through profit and loss and for off-balance-sheet items.

in € million	Opening balance as at 01.01. 2018	Transfer			Allocations to risk provisioning		Reversals risk provisioning			Other changes					Closing balance as at 31.12. 2018
		In Stage 1	In Stage 2	In Stage 3	Allocations due to credit rating	Additions of assets	Reversals due to credit rating	Utilisation	Disposals of assets	Modification of assets	Unwinding	Model and parameter changes	Currency translation	Other changes	
Risk provisioning for financial assets at fair value through other comprehensive income															
Assets without a significant increase in credit risk (Stage 1)	**56.1**	**0.0**	**0.0**	**0.0**	**2.5**	**6.2**	**3.3**	**0.0**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**60.7**
Debt securities and other fixed-interest securities	56.1	0.0	0.0	0.0	2.5	6.2	3.3	0.0	0.7	0.0	0.0	0.0	0.0	0.0	60.7
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Assets with a significant increase in credit risk without impairment (Stage 2)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with a significant increase in credit risk with impairment (Stage 3)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impaired assets at initial recognition (POCI)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with risk provisioning according to the simplified approach	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**56.1**	**0.0**	**0.0**	**0.0**	**2.5**	**6.2**	**3.3**	**0.0**	**0.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**60.7**

in € million	Opening balance as at 01.01. 2018	Transfer			Allocations to risk provisioning		Reversals risk provisioning			Other changes					Closing balance as at 31.12. 2018
		In Stage 1	In Stage 2	In Stage 3	Alloca-tions due to credit rating	Addi-tions of assets	Rever-sals due to credit rating	Utili-sa-tion	Dispo-sals of assets	Modi-fication of assets	Un-win-ding	Model and parame-ter changes	Curren-cy transla-tion	Other changes	
Risk provisioning for financial assets at amortised cost															
Assets without a significant increase in credit risk (Stage 1)	**4,254.6**	**1.4**	**-13.9**	**0.0**	**172.6**	**286.7**	**1,080.0**	**0.0**	**258.1**	**0.0**	**0.0**	**0.0**	**-56.8**	**0.0**	**3,306.5**
Debt securities and other fixed-interest securities	307.2	0.0	0.0	0.0	24.9	0.0	28.1	0.0	34.2	0.0	0.0	0.0	8.8	0.0	278.5
Loans and advances	3,947.4	1.4	-13.9	0.0	147.8	286.7	1,051.9	0.0	224.0	0.0	0.0	0.0	-65.5	0.0	3,028.0
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with a significant increase in credit risk without impairment (Stage 2)	**9,136.9**	**-1.4**	**13.9**	**0.0**	**16.7**	**9.8**	**253.8**	**0.0**	**51.7**	**0.0**	**0.0**	**0.0**	**234.5**	**0.0**	**9,104.9**
Debt securities and other fixed-interest securities	9,072.1	0.0	0.0	0.0	0.0	0.0	237.4	0.0	0.0	0.0	0.0	0.0	234.5	0.0	9,069.3
Loans and advances	64.8	-1.4	13.9	0.0	16.7	9.8	16.5	0.0	51.7	0.0	0.0	0.0	-0.1	0.0	35.6
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with a significant increase in credit risk with impairment (Stage 3)	**4,827.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4,309.2**	**52.6**	**0.0**	**-8.1**	**0.0**	**0.0**	**0.0**	**457.9**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	4,827.8	0.0	0.0	0.0	0.0	0.0	0.0	4,309.2	52.6	0.0	-8.1	0.0	0.0	0.0	457.9
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impaired assets at initial recognition (POCI)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with risk provisioning according to the simplified approach	**178.5**	**0.0**	**0.0**	**0.0**	**0.0**	**110.5**	**88.3**	**0.0**	**42.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**158.1**
Total	**18,397.9**	**0.0**	**0.0**	**0.0**	**189.4**	**407.0**	**1,422.1**	**4,309.2**	**405.1**	**0.0**	**-8.1**	**0.0**	**177.7**	**0.0**	**13,027.4**
Total	**18,454.0**	**0.0**	**0.0**	**0.0**	**191.8**	**413.2**	**1,425.4**	**4,309.2**	**447.7**	**0.0**	**-8.1**	**0.0**	**177.7**	**0.0**	**13,088.1**

in € million	Opening balance as at 01.01.2018	Transfer			Allocations to risk provisioning		Reversals risk provisioning			Other changes					Closing balance as at 31.12. 2018
		In Stage 1	In Stage 2	In Stage 3	Alloca-tions due to credit rating	Addi-tions of assets	Rever-sals due to credit rating	Utili-sa-tion	Dispo-sals of assets	Modifi-cation of assets	Unwin-ding	Model and parameter changes	Curren-cy translati on	Other changes	
Risk provisioning for credit commitments, financial guarantees and other off-balance-sheet liabilities															
Off-balance-sheet items without a significant increase in credit risk (Stage 1)	**463.7**	**0.1**	**0.0**	**0.0**	**31.0**	**43.2**	**68.3**	**0.0**	**11.5**	**0.0**	**0.0**	**0.0**	**66.3**	**0.0**	**524.5**
Credit commitments	368.4	0.1	0.0	0.0	30.5	42.9	60.4	0.0	11.1	0.0	0.0	0.0	66.3	0.0	436.7
Financial guarantees	95.3	0.0	0.0	0.0	0.5	0.3	7.9	0.0	0.4	0.0	0.0	0.0	0.0	0.0	87.8
Off-balance-sheet items with a significant increase in credit risk without impairment (Stage 2)	**485.2**	**-0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**85.1**	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**399.5**
Credit commitments	179.2	-0.1	0.0	0.0	0.0	0.0	61.7	0.0	0.5	0.0	0.0	0.0	0.0	0.0	116.9
Financial guarantees	306.0	0.0	0.0	0.0	0.0	0.0	23.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	282.6
Off-balance-sheet items with a significant increase in credit risk with impairment (Stage 3)	**415.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**415.4**
Credit commitments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial guarantees	415.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	415.4
Total	**1,364.2**	**0.0**	**0.0**	**0.0**	**31.0**	**43.2**	**153.3**	**0.0**	**12.0**	**0.0**	**0.0**	**0.0**	**66.3**	**0.0**	**1,339.4**

The following overview presents the change during the reporting period in the gross carrying amount of financial assets not measured at fair value.

in € million	Opening balance as at 01.01. 2018	Transfer			Additions of assets	Disposals of assets	Direct write-off of assets	Other changes			Closing balance as at 31.12. 2018
		In Stage 1	In Stage 2	In Stage 3				Modification of assets	Currency translation	Other changes	
Gross carrying amount for financial assets at fair value through other comprehensive income											
Assets without a significant increase in credit risk (Stage 1)	**2,199.8**	**0.0**	**0.0**	**0.0**	**125.0**	**224.0**	**0.0**	**0.0**	**3.1**	**0.0**	**2,103.9**
Debt securities and other fixed-interest securities	2,199.8	0.0	0.0	0.0	125.0	224.0	0.0	0.0	3.1	0.0	2,103.9
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with a significant increase in credit risk without impairment (Stage 2)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with a significant increase in credit risk with impairment (Stage 3)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impaired assets at initial recognition (POCI)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Assets with risk provisioning according to the simplified approach	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**2,199.8**	**0.0**	**0.0**	**0.0**	**125.0**	**224.0**	**0.0**	**0.0**	**3.1**	**0.0**	**2,103.9**
Gross carrying amount for financial assets at amortised cost											
Assets without a significant increase in credit risk (Stage 1)	**10,003.3**	**18.8**	**-69.9**	**0.0**	**2,210.0**	**2,144.4**	**0.0**	**0.0**	**57.8**	**0.0**	**10,075.7**
Debt securities and other fixed-interest securities	1,503.8	0.0	0.0	0.0	0.5	198.5	0.0	0.0	25.2	0.0	1,331.0
Loans and advances	8,051.2	18.8	-69.9	0.0	2,191.5	1,945.8	0.0	0.0	27.6	0.0	8,273.4
Cash reserve	448.3	0.0	0.0	0.0	18.0	0.1	0.0	0.0	5.0	0.0	471.3
Assets with a significant increase in credit risk without impairment (Stage 2)	**529.3**	**-18.8**	**69.9**	**0.0**	**19.7**	**34.2**	**0.0**	**0.0**	**8.8**	**0.0**	**574.7**
Debt securities and other fixed-interest securities	473.6	0.0	0.0	0.0	0.3	18.6	0.0	0.0	8.8	0.0	464.2
Loans and advances	55.7	-18.8	69.9	0.0	19.4	15.6	0.0	0.0	0.0	0.0	110.5
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with a significant increase in credit risk with impairment (Stage 3)	**24.1**	**0.0**	**0.0**	**0.0**	**0.4**	**5.7**	**0.0**	**0.0**	**0.0**	**0.0**	**18.8**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	24.1	0.0	0.0	0.0	0.4	5.7	0.0	0.0	0.0	0.0	18.8
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impaired assets at initial recognition (POCI)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets with risk provisioning according to the simplified approach	**1,296.0**	**0.0**	**0.0**	**0.0**	**1,189.5**	**1,221.9**	**0.0**	**0.0**	**0.0**	**0.0**	**1,263.6**
	11,852.7	**0.0**	**0.0**	**0.0**	**3,419.7**	**3,406.3**	**0.0**	**0.0**	**66.7**	**0.0**	**11,932.8**
Total	**14,052.5**	**0.0**	**0.0**	**0.0**	**3,544.7**	**3,630.3**	**0.0**	**0.0**	**69.8**	**0.0**	**14,036.8**

(30) Offsetting of financial assets and financial liabilities

The effects or potential effects of claims for compensation relating to the Bank's financial assets and liabilities as at the end of the first half of 2018 and as at 31 December 2017 are shown in the following tables:

30.06.2018 (in € million)	**Gross amount before offsetting**	**Amount of balance-sheet 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	**618.2**	**0.0**	**618.2**	**-378.2**	**-81.3**	**-144.0**	**14.7**
Derivatives	356.8	0.0	356.8	-203.3	0.0	-144.0	9.6
Securities lending and repo transactions	261.3	0.0	261.3	-174.9	-81.3	0.0	5.1
Liabilities	**1,119.9**	**0.0**	**1,119.9**	**-378.2**	**-424.9**	**-311.1**	**5.7**
Derivatives	520.1	0.0	520.1	-203.3	0.0	-311.1	5.7
Securities lending and repo transactions	599.8	0.0	599.8	-174.9	-424.9	0.0	0.0

31.12.2017 (in € million)	**Gross amount before offsetting**	**Amount of balance-sheet 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	**794.3**	**0.0**	**794.3**	**-297.7**	**-313.5**	**-144.1**	**39.0**
Derivatives	344.0	0.0	344.0	-197.7	0.0	-144.1	2.1
Securities lending and repo transactions	450.3	0.0	450.3	-100.0	-313.5	0.0	36.8
Liabilities	**1,671.4**	**0.0**	**1,671.4**	**-297.7**	**-978.6**	**-384.7**	**10.4**
Derivatives	591.5	0.0	591.5	-197.7	0.0	-384.7	9.1
Securities lending and repo transactions	1,079.9	0.0	1,079.9	-100.0	-978.6	0.0	1.3

(31) 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 concluded primarily in the form of forward currency transactions, currency swaps and cross currency interest-rate 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 € million	Nominal values on 30.06.2018	Nominal values on 31.12.2017	Market values positive on 30.06.2018	Market values positive on 31.12.2017	Market values negative on 30.06.2018	Market values negative on 31.12.2017
Interest-rate risks	6,851.1	6,745.4	227.9	222.9	427.1	505.7
Currency risks	3,924.3	3,441.6	133.0	124.1	94.7	86.9
Total	10,775.4	10,186.9	360.9	346.9	521.8	592.6

Additional information

(32) Regulatory information

Regulatory capital and the capital requirements are based on IFRS and have been calculated in accordance with CRR rules since financial year 2014. A separate report is produced each year for the information to be disclosed pursuant to Article 13 CRR, which will be published on the NORD/LB CBB website once it has been completed.

Capital requirements

The Bank mainly employs standard regulatory approaches to calculate risk. The internal ratings-based (IRB) approach is applied for most of the loans and advances only when calculating the capital requirements for credit risk.

	30.06.2018 (in € million)	31.12.2017 (in € million)
Total risk exposure amount	**4,269.4**	**4,244.4**
Capital requirements for credit risk	326.7	325.4
Capital requirements for operational risks	14.1	13.5
Capital requirements for market risks	0.0	0.0
Capital requirements for loan amount adjustments	0.8	0.7
Capital requirements	**341.6**	**339.5**

Regulatory capital

	30.06.2018 (in € million)	31.12.2017 (in € million)
Subscribed capital	205.0	205.0
Retained earnings	446.8	445.7
-Deductible items (from CET 1 capital)	-43.7	-26.0
Common Equity Tier 1 capital	**608.1**	**624.8**
Components of additional Tier 1 capital	0.0	0.0
Tier 1 capital	**608.1**	**624.8**
Eligible provisions in excess of expected losses under the IRB approach	0.2	2.5
Tier 2 capital	**0.2**	**2.5**
Own funds	**608.2**	**627.3**

Minimum capital ratios

For 2017 the ECB stipulated an institution-specific premium for the Bank of 0.5 per cent, comprising nothing but Common Equity Tier 1 capital. No premium was stipulated for 2018.

Consequently, the minimum requirements pursuant to Article 92 CRR apply for the Bank during the reporting period.

NORD/LB CBB clearly adhered to the supervisory minimum capital ratios at all times during both the reporting period in 2018 and in 2017.

	30.06.2018 (in %)	31.12.2017 (in %)
Common Equity Tier 1 capital ratio	14.2%	14.7%
Tier 1 capital ratio	14.2%	14.7%
Total capital ratio	14.3%	14.8%

The decline in capital ratios is essentially due to the inclusion of the negative result as at 30 June 2018.

(33) Contingent liabilities and other obligations

	30.06.2018 (in € million)	31.12.2017 (in € million)	Change (in %)
Contingent liabilities	**109.1**	**127.1**	
Liabilities arising from guarantees and indemnity agreements	109.1	127.1	-14
Other obligations	**2,217.7**	**1,741.6**	
Irrevocable lending commitments	2,217.7	1,741.6	27
Total	**2,326.8**	**1,868.7**	**25**

(34) Events after the balance sheet date

No significant events occurred between the balance sheet date on 30 June 2018 and the preparation of these financial statements by the Managing Board on 31 August 2018.

(35) Related party disclosures

The scope of transactions with related companies and persons in 2018 and 2017 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:

30.06.2018 (in € million)	Companies with a significant influence	Subsidiaries	Joint ventures	Associated companies	Key personnel	Other related parties
Assets						
Trading assets	**92.9**	**0.0**	**0.0**	**0.0**	**0.0**	**92.9**
Derivatives	92.9	0.0	0.0	0.0	0.0	92.9
Equity instruments	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0

Financial assets mandatorily at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**40.3**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	40.3	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**6.0**	**0.0**	**0.0**	**0.0**	**0.0**	**6.0**
Equity instruments	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities and other fixed-interest securities	6.0	0.0	0.0	0.0	0.0	6.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	**78.7**	**0.0**	**25.9**	**0.0**	**0.0**	**78.7**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	78.7	0.0	25.9	0.0	0.0	78.7
Positive fair values from hedge accounting derivatives	**211.0**	**0.0**	**0.0**	**0.0**	**0.0**	**211.0**
Other assets	**1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**
Total	**389.8**	**0.0**	**25.9**	**40.3**	**0.0**	**389.8**

30.06.2018 **(in € million)**	**Companies with a significant influence**	**Subsidiaries**	**Joint ventures**	**Associated companies**	**Key personnel**	**Other related parties**
Liabilities						
Trading liabilities	**63.4**	**0.0**	**0.0**	**0.0**	**0.0**	**63.4**
Derivatives	63.4	0.0	0.0	0.0	0.0	63.4
Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**549.2**	**0.0**	**0.0**	**0.0**	**0.0**	**549.2**
Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Securitised liabilities	549.2	0.0	0.0	0.0	0.0	549.2

Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities at amortised cost	**3,590.2**	**132.0**	**38.9**	**0.0**	**0.0**	**3,590.2**
Deposits	1,746.5	99.9	38.9	0.0	0.0	1,746.5
Securitised liabilities	1,843.6	32.0	0.0	0.0	0.0	1,843.6
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Negative fair values from hedge accounting derivatives	**139.1**	**0.0**	**0.0**	**0.0**	**0.0**	**139.1**
Other liabilities	**1.5**	**0.0**	**0.0**	**0.0**	**0.0**	**1.5**
Total	**4,343.3**	**132.0**	**38.9**	**0.0**	**0.0**	**4,343.3**
Guarantees / sureties received	**4,104.4**	**0.0**	**0.0**	**0.0**	**0.0**	**4,104.4**
Guarantees / sureties granted	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

01.01.2018 - 30.06.2018 (in € thousand)	**Companies with a significant influence**	**Subsidiaries**	**Joint ventures**	**Associated companies**	**Key personnel**	**Other related parties**
Interest income	37,963.4	70.6	281.4	24.8	0.0	37,963.4
Interest expenses	70,213.7	0.0	642.5	0.0	0.0	70,213.7
Dividend income	0.0	0.0	0.0	0.0	0.0	0.0
Commission income	2,301.4	0.0	101.6	0.0	0.0	2,301.4
Commission expenses	25,101.0	0.0	906.1	0.0	0.0	25,101.0
Other income and expenses	-22,245.8	0.0	344.1	-113.6	0.0	-22,245.8
Total	**-77,295.7**	**70.6**	**-821.5**	**-88.8**	**0.00**	**-77,295.7**

31.12.2017 (in € million)	**Companies with a significant influence**	**Subsidiaries**	**Joint ventures**	**Associated companies**	**Key personnel**	**Other related parties**
Assets						
Trading assets	**101.5**	**0.0**	**0.0**	**0.0**	**0.0**	**101.5**
Derivatives	101.5	0.0	0.0	0.0	0.0	101.5
Equity instruments	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets mandatorilyat fair value through profit or loss	**0.0**	**0.0**	**0.0**	**40.4**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	40.4	0.0	0.0

Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**5.9**	**0.0**	**0.0**	**0.0**	**0.0**	**5.9**
Equity instruments	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities and other fixed-interest securities	5.9	0.0	0.0	0.0	0.0	5.9
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	**56.9**	**0.0**	**42.0**	**0.0**	**0.0**	**56.9**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances	56.9	0.0	42.0	0.0	0.0	56.9
Positive fair values from hedge accounting derivatives	**211.5**	**0.0**	**0.0**	**0.0**	**0.0**	**211.5**
Other assets	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**
Total	**376.4**	**0.0**	**42.0**	**40.4**	**0.0**	**376.4**

31.12.2017 **(in € million)**	**Companies with a significant influence**	**Subsidiaries**	**Joint ventures**	**Associated companies**	**Key personnel**	**Other related parties**
Liabilities						
Trading liabilities	**49.6**	**0.0**	**0.0**	**0.0**	**0.0**	**49.6**
Derivatives	49.6	0.0	0.0	0.0	0.0	49.6
Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Securitised liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**544.0**	**0.0**	**18.0**	**0.0**	**0.0**	**544.0**
Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Securitised liabilities	544.0	0.0	0.0	0.0	0.0	544.0
Other financial liabilities	0.0	0.0	18.0	0.0	0.0	0.0
Financial liabilities at amortised cost	**3,485.3**	**131.9**	**0.0**	**0.0**	**0.0**	**3,485.3**
Deposits	1,648.3	99.9	0.0	0.0	0.0	1,648.3

Securitised liabilities	1,837.0	32.0	0.0	0.0	0.0	1,837.0
Other financial liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Negative fair values from hedge accounting derivatives	**158.7**	**0.0**	**0.0**	**0.0**	**0.0**	**158.7**
Other liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**4,237.6**	**131.9**	**18.0**	**0.0**	**0.0**	**4,237.6**
Guarantees / sureties received	**3,834.8**	**0.0**	**0.0**	**0.0**	**0.0**	**3,834.8**
Guarantees / sureties granted	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

01.01.2017 - 31.12.2017 **(in € thousand)**	**Companies with a significant influence**	**Subsidiaries**	**Joint ventures**	**Associated companies**	**Key personnel**	**Other related parties**
Interest income	44,515.3	83.7	616.1	24.8	0.0	44,515.3
Interest expenses	57,619.9	0.0	13.2	0.0	0.0	57,619.9
Dividend income	0.0	0.0	0.0	0.0	0.0	0.0
Commission income	3,035.3	0.0	220.3	0.0	0.0	3,035.3
Commission expenses	20,969.2	0.0	1,261.3	0.0	0.0	20,969.2
Other income and expenses	-6,521.5	0.0	44.6	-44.0	0.0	-6,521.5
Total	**-37,560.0**	**83.7**	**-393.6**	**-19.2**	**0.0**	**-37,560.0**

(36) Members of governing bodies and list of mandates

Members of the Managing Board

- Thorsten Schmidt, Irrel, Member of the Managing Board
- Manfred Borchardt, Trier, Member of the Managing Board

Supervisory Board

- Thomas S. Bürkle, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover (Chairman)
- Ulrike Brouzi, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover (Deputy Chair), until 30 April 2018
- Günter Tallner, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover (Deputy Chair since 1 May 2018)
- Christoph Dieng, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover
- Dr. Ulf Meier, General Representative of Norddeutsche Landesbank Girozentrale, Hanover, until 31 August 2018

Mandates

The members of the Managing Board of NORD/LB Luxembourg S.A. Covered Bond Bank fulfilled the following mandates in the first half of 2018:

Thorsten Schmidt

- NORD/LB G-MTN S.A. (In liquidation), Luxembourg, member of the Board of Liquidators

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 at 30 June 2018 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 NORD/LB Luxembourg S.A. Covered Bond Bank are described.

Luxembourg, 31 August 2018

NORD/LB Luxembourg S.A. Covered Bond Bank

Thorsten Schmidt

Member of the Managing Board

NORD/LB Luxembourg S.A. Covered Bond Bank

Manfred Borchardt

Member of the Managing Board

NORD/LB Luxembourg S.A. Covered Bond Bank