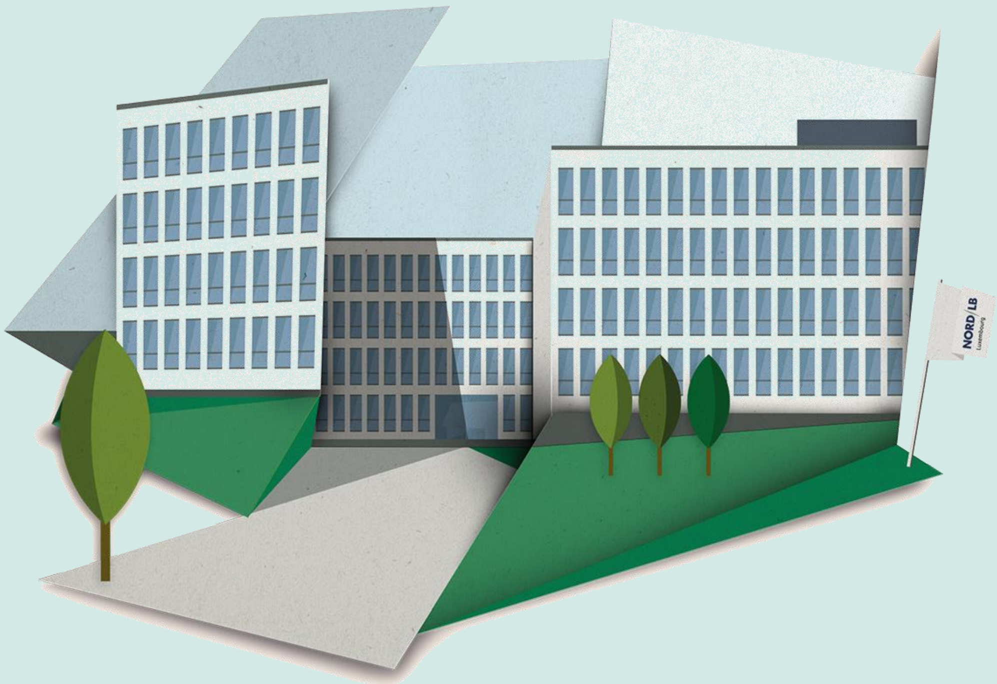
NORD/LB Covered Bond Bank Luxembourg



Condensed interim financial statements

as at 30. June 2019

Overview of key data

The following tables may contain computational rounding differences.

Business performance	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in € million)	Change (in %)
Cash reserve	12.8	443.4	-430.5	-97
Trading assets	195.8	191.2	4.6	2
Financial assets at fair value through profit or loss	956.1	1,042.3	-86.2	-8
Financial assets at fair value directly in equity	1,988.8	2,101.7	-112.9	-5
Financial assets at amortised cost	12,921.7	13,103.0	-181.2	-1
Positive fair values from hedge accounting derivatives	327.5	218.8	108.7	50
Other assets	105.2	98.9	6.3	6
Total assets	**16,508.0**	**17,199.3**	**-691.3**	**-4**
Trading liabilities	111.2	81.1	30.2	37
Financial liabilities at fair value through profit or loss	1,552.8	1,634.1	-81.4	-5
Financial liabilities at amortised cost	13,578.5	14,320.4	-741.9	-5
Negative fair values from hedge accounting derivatives	515.5	438.5	77.0	18
Provisions	8.9	9.8	-0.9	-9
Other liabilities	39.2	34.0	5.2	15
Reported equity	702.0	681.4	20.6	3
Total liabilities and equity	**16,508.0**	**17,199.3**	**-691.3**	**-4**

Earnings performance	First half of 2019 (in € thousand)	First half of 2018 (in € thousand)	Change (in € thousand)	Change (in %)
Net interest income	60,259	53,911	6,349	12
Net commission income	-25,046	-22,002	-3,044	14
Profit/loss from fair value measurement	-8,909	-18,952	10,044	-53
Net valuation allowance from financial instruments not measured at fair value through profit or loss	3,479	1,226	2,253	> 100
Net disposal result from financial instruments not measured at fair value through profit or loss	-6	0	-6	< -100
Profit/loss from hedge accounting	8,008	-7,734	15,742	< -100
Foreign exchange result	51	143	-93	-65
Profit/loss from shares in companies	64	0	64	100
Administrative expenses	-14,722	-17,876	3,154	-18
Current amortisation and depreciation	-1,988	-1,300	-688	53
Other operating profit/loss	-10,468	-4,802	-5,666	> 100
Income taxes	-3,137	4,509	-7,646	< -100
Earnings after taxes	**7,586**	**-12,877**	**20,463**	**< -100**

Key performance indicators	First half of 2019	First half of 2018	Change (absolute)	Change (in %)
Cost/income ratio in % *)	69.9%	3,404.1%	-3,334.2%	-98
RORAC in % **)	6.3%	-9.7%	16.0%	< -100

*) For a definition of cost/income ratio (CIR), see also ((4)Segmentation of NORD/LB CBB by business segment).

**) For a definition of RoRaC, see also ((4)Segmentation of NORD/LB CBB by business segment).

Key regulatory indicators	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in € million)	Change (in %)
Total risk exposure amount	4,209.1	4,443.1	-234.0	-5
Tier 1 capital	654.5	613.1	41.5	7
Own funds	654.7	613.3	41.4	7
Tier 1 capital ratio	15.6%	13.8%	1.8%	13
Total capital ratio	15.6%	13.8%	1.8%	13

Workforce	30.06.2019	31.12.2018	Change (absolute)	Change (in %)
Number of employees	165	173	-8	-5

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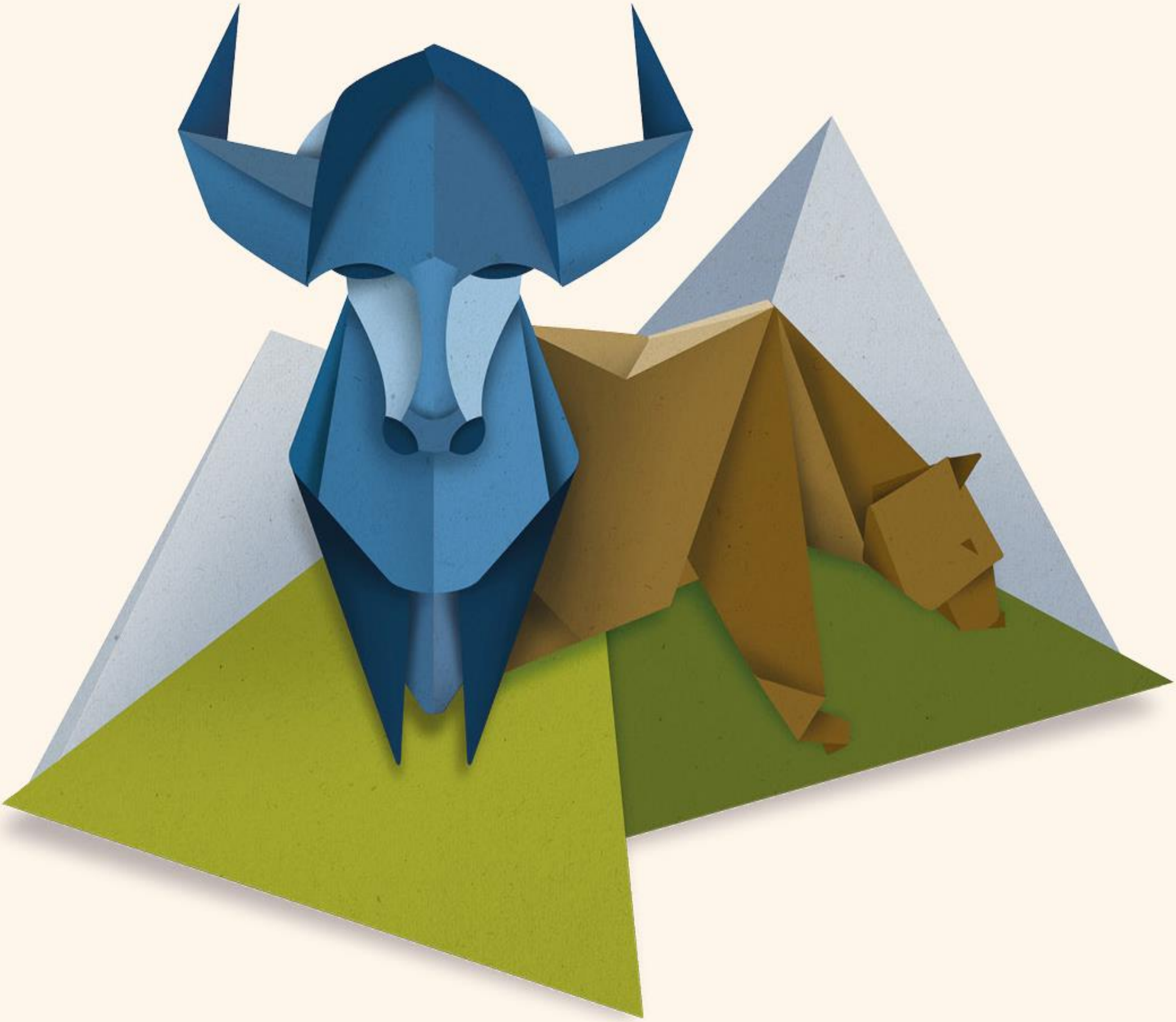


Interim management report

NORD/LB Luxembourg S.A. Covered Bond Bank

NORD/LB Luxembourg S.A. Covered Bond Bank (hereinafter “NORD/LB CBB” of, for short, “the Bank”), domiciled in Luxembourg, is a 100% subsidiary of NORD/LB Norddeutsche Landesbank Girozentrale with registered offices in Hanover, Bremen, Braunschweig and Magdeburg (hereinafter “NORD/LB”). The Bank is included in the consolidated financial statements of NORD/LB (hereinafter “the NORD/LB Group” or “the Group”). The parent company has issued a letter of comfort for NORD/LB CBB. The consolidated financial statements of NORD/LB are available online at www.nordlb.de.

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

For the purposes of comparability, this condensed interim report of NORD/LB CBB as at 30 June 2019 refers to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2018, which was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

The comparison figures of the income statement are based on NORD/LB CBB’s published and unaudited figures for the period from 1 January 2018 to 30 June 2018.

The current interim financial statements as at 30 June 2019 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and condensed Notes. The segment reporting is included in the Notes. The reporting on the type and scope of the risks arising from financial instruments pursuant to IFRS 7 is primarily carried out in the framework of the risk report, which is a component of the interim management report.

Statements on the continuation of the business activities of NORD/LB and the NORD/LB Group

In recent years, the ongoing crisis in merchant shipping has gradually led to an increase in non-performing loan portfolios as well as to significant risk provisioning requirements, with corresponding burdens on the regulatory capital ratios of NORD/LB and the NORD/LB Group. Corresponding developments also contributed to the substantial loss in the financial year 2018. As a result of this, NORD/LB no longer met the regulatory capital ratios as at 31 December 2018 and in the first half of 2019.

To reduce non-performing ship portfolios and to create the basis for actions to strengthen the capital ratios, with a notarised basic agreement on 21 June 2019 NORD/LB and its owners as well as Deutscher Sparkassen- und Giroverband e. V. (DSGV) agreed to take action to strengthen capital and realign NORD/LB. The cornerstones of this agreement are a capital increase of approx. € 2.8 billion against cash contribution and capital substitution measures with a CET1 equivalent in the amount of approx. € 0.8 billion. This is aimed at preparing NORD/LB for further increases in regulatory requirements and permanently strengthening its crisis resilience and competitiveness. In addition to reducing distressed loan portfolios, the measures for realigning the business model of NORD/LB provide for an extensive transformation of individual business areas and subsidiaries of the Bank (NORD/LB) and the Group in the coming years.

Until the capital strengthening has been performed, the regulatory minimum capital ratios will still not be met. NORD/LB informed the banking supervisory authorities of this.

The capital strategy and business plan for the financial years 2019 to 2024, upon which the Managing Board’s forecast of the Bank as a going concern is based, takes account of the capital injection described, the capital substitution measures and the realignment of the business model. With its capital strategy and business plan, NORD/LB is currently in line with banking supervision requirements and, from the perspective of government aid, with the European Commission. NORD/LB assumes that by implementing the capital-strengthening measures contained therein and realigning the business model, this will lead to a significant increase in the capital ratios and all regulatory requirements will be met.

The going concern assumption made for accounting and measurement purposes as well as the continued existence of NORD/LB are beset with significant uncertainty and are based in particular on the assumption that

- the measures for strengthening the capital of NORD/LB agreed upon in accordance with the basic agreement of 21 June 2019 will be implemented, completed and approved by all relevant stakeholders, in particular by the state parliaments of Lower Saxony and Saxony-Anhalt and the DSGV, with the result that the capital ratios and buffers as well as the thresholds required by the regulators will continue to be met in the future,
- the banking regulators, in particular the European Central Bank, the Federal Financial Supervisory Authority and the Deutsche Bundesbank, will tolerate the failure to meet the minimum capital ratios demanded by the regulators until the measures pursued to reinforce capital at the level of NORD/LB are completed,
- all official permits required to implement the plan, particularly from the European Commission and the responsible banking regulators, will be issued, and
- the realignment of the business model and the restructuring measures envisaged are put into practice on schedule.

If the planned measures to strengthen capital are not implemented as planned, NORD/LB could be wound up. In this case or in case of a rating downgrade or other adverse developments, significant outflows of short-term funds could be triggered and the refinancing options available to NORD/LB could be fundamentally limited.

Furthermore it is necessary that there is acceptance by the market participants and other relevant stakeholders, which is required for a successful implementation of the realignment of NORD/LB’s business model.

Economic environment

After the high growth of the world economy at the beginning of 2018, economic growth slowed, especially in the second half of 2018. While the 1st quarter of 2019 was surprisingly very positive again in many countries, this was followed by flagging growth momentum. Here trade policy, in particular the conflict between the USA and China, played a not insignificant role. However, the economic cycle itself also entered a different phase. The weakening of the growth momentum of the real trade volume is also continuing accordingly.

Although the United States has been growing at a fast pace so far, there are increasing signs that the such momentum will not continue. For example, in the 1st quarter of 2019 real gross domestic product (GDP) grew by 3.1 per cent on an annualised basis, but in the 2nd quarter this was significantly lower at 2.1 per cent. However, the USA still shows extraordinary strength compared with Europe, especially since special factors also contributed to the lower momentum.

European growth was a positive surprise at the beginning of 2019. In the first quarter of 2019, the eurozone economy grew by +0.4 per cent in real terms compared with the previous quarter. However, towards the summer the momentum weakened - but not to the same extent as in Germany. In the 2nd quarter the real GDP growth was only half that of the previous quarter, at +0.2 per cent. The industrial sector in particular is recording losses, while the service sector remains stable.

The beginning of 2019 was surprisingly good for Germany. Gross domestic product in the 1st quarter grew by +0.4 per cent compared with the previous quarter. However, towards the summer the growth momentum had weakened. It is becoming difficult to maintain positive growth. In particular, a slowdown of the global economy is becoming more noticeable. In the export statistics, however, it is also clear that the economic crisis in Turkey as well as Brexit is leaving its marks. Currently the German industrial sector is the primary victim. Production decreased and continuing negative incoming negative orders are muddying the prospects for further growth. Only construction output is developing positively. Private consumption and the service sector currently remain solid due to the strong employment market, among other factors.

On the capital markets, uncertainty over Brexit, which according to the current situation has been delayed until 31 October 2019, as well as trade disputes and geopolitical tensions, for example between the USA and Iran, continue to play an important role. Even more significant, however, was the more expansive orientation of the central banks, with the US Fed (Federal Reserve System) playing a pivotal role. However, with the conference in Sintra, Portugal, the European Central bank also underwent an about-face in monetary policy toward a more expansive orientation. Overall this has resulted in greatly reduced yields on government bonds. For example, at the end of June 10-year German Bunds were yielding -0.30 per cent. US 10-year treasuries have a yield of about 2.0 per cent.

The US dollar benefited in particular from the relatively good economic growth of the USA. At the beginning of the year, the euro cost 1.1450 USD, but at the end of the June it was worth 1.1373 USD despite the reduction of the interest rate. EUR/USD basis swap spreads remained in negative territory below -20 basis points in all maturity ranges

Financial sector

The European banking sector has had to cope with far-reaching cutbacks in the past few years. As a result, the number of institutions and branches in Europe has declined. This trend toward mergers and liquidations will also continue in the future. Although a few banks are using the departure of market participants who have come under pressure as a strategy for expanding, most European banks are responding to current developments by reorganising business segments, focusing on core business, reducing balance sheet risks and initiating efficiency improvement programmes. As a result of positive economic developments in the eurozone and relaxed lending standards, both the granting of new credit and the overall credit volume have increased. The credit volume is only continuing to fall in countries in the euro periphery (including Spain, Italian and Portugal), although the rates of decrease are weakening. The reason, among other factors, is the very sharp reduction in risk-weighted assets (RWA). Overall the significant creditworthiness indicators of the European banking market improved. The common equity tier 1 capital ratio, the NPL ratio and the cover ratio all improved. Return on equity (RoE) also increased slightly. Driving factors here include improved commission income and reduced risk costs. This development was supported by the improved economic environment, although interest income is down due to the competitive market environment, among other factors. Nevertheless, the European banking sector is faced with great challenges. In addition to continuing digitalization, which forces established banks to make large investments, thus increasing cost pressure, there also are political risks (Brexit, EU-critical governments including in Italy, intercontinental trade conflicts and protectionist tendencies), which create uncertainties for the banking market. The funding costs will also rise due to regulatory requirements and expiring ECB programmes.

Covered bond markets and Lettres de Gage Publiques

At the beginning of the year, the market segment for covered debt securities was still under the influence of the retreat of the European Central Bank from the market as a net buyer. However, in the course of the first half of 2019, general economic performance ultimately ensured that a return of the monetary authorities in the form of a revival of purchasing activities was being discussed. The market is still preoccupied with the unresolved situation with regard to Brexit. Basically, the first six months of 2019 were characterised by a comparably high issuing activity. Overall a total volume of about € 94.0 billion was issued on the market for euro-denominated benchmark loans. This represents the highest issues in the first half of the year in the past eight years. The largest share of new issues again came from Germany at € 16 billion, followed by France at € 15.2 billion and issues from the Netherlands in the amount of € 9.5 billion. The trend toward longer terms remains uninterrupted, at last for bonds from the core eurozone. Here the average term of 8.4 years in 2018 increased to 9.5 years in the first half of 2019. In contrast, a decrease of the terms is observed in the periphery; here the term of 8.2 years fell to 7.0 years.

Not much changed with regard to the geographic distribution of the investors; the DACH region (Germany, Austria, Switzerland) remains the most important region with a share of about 57 per cent, followed by investors from the Nordic countries and BeNeLux with about 10 per cent each.

After the investor group of central banks purchased an ever larger share of new issues in previous years, here the picture has changed. Banks, asset managers and funds made up for the reduced demand from the ECB. Ultimately, the share of the banks increased from 36 per cent to 46 per cent, and the share of asset managers and funds increased to about 30 per cent, which means an increase of five percentage points. In contrast, the share of the central banks halved from 28 per cent to 14 per cent).

While the spread environment at the beginning of the first half of the year was initially dominated by the ECB's decision under CBPP3 to reinvest exclusively within the scope of the maturities – this led to significant spread widenings – the spreads tightened considerably following the wave of issues in January. The Lettres de Gage publiques of NORD/LB CBB were also not able to escape the trend toward spread widenings at the beginning of

2019. However, in accordance with the overall market, here too there were spread widenings in the first half of the year.

Lettres de Gage énergies renouvelables

On 22 June 2018, the amendment to the Law of 5 April 1993 on the financial sector entered into force with regard to the introduction of Pfandbriefe for renewable energies - Lettres de Gage énergies renouvelables (Lettre de Gage Renewable Energy). This is the first time that a legal framework has been created for a covered bond class that is secured via the financing of renewable energies.

Article 12-3 para. 2 f) et seq. of the law on the financial sector for receivables from loans used to finance renewable energy projects adopted the definition for renewable energies according to the EU Regulation (2009/28, Article 2 (a)-(e)).

Accordingly, financing for energy from renewable non-fossil sources, such as wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases, qualifies as a cover asset for the new asset class of Lettres de Gage énergies renouvelables.

The law stipulates that it is not only the financing of energy production, but also the financing of infrastructure for transmission, storage and transformation that can be refinanced using the new Luxembourg Lettre de Gage Renewable Energy, provided that more than 50 per cent is effectively used with renewable energies. The proceeds from the Lettres de Gage Renewable Energy issue will be used to provide sustainable financing. These include, in particular, projects in the field of renewable energies such as wind power - onshore and offshore -, photovoltaics, hydropower and biogas.

This new field of activity offers great opportunities for NORD/LB CBB in particular in cooperation with NORD/LB.

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 expanding sales.

ALM/Treasury

ALM/Treasury, a part of the Financial Markets & Sales Division, 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, cover pool management 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 makes a complementary contribution to refinancing the NORD/LB Group's core business both on the money and capital markets. In the money market, ALM/Treasury is characterised by having a broad diversification of funding sources and a high degree of flexibility in terms of currencies and maturities. The focus of issuing activities in the capital market, which use various currencies customary on the different markets, lies on trading in Lettres de Gage, especially for medium and long terms. Short and medium-term maturities dominate the uncovered issues.

In the context of balance sheet management, ALM/Treasury supports the strategic approach and further development of NORD/LB CBB with due 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.

Moreover, ALM/Treasury represents the Bank in key national and international committees and working groups in the area of the Luxembourg covered bond.

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 in this respect to institutional customers such as asset managers, central banks, the supra sovereign agency (SSSA) sector and banks in non-German-speaking parts of Europe. Standardised 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 Pfandbriefe and covered bonds from other jurisdictions, bonds of supranationals and agencies (SSAS), and issues from German states.

Another intention of the Group is to geographically diversify refinancing sources by attracting European investors via NORD/LB CBB. When doing so, the Group does not take on proprietary risks.

Performance in Financial Markets & Sales

Following on from the regular Lettres de Gage issues that were already issued in recent years, in February 2019 NORD/LB CBB again placed a EURO-denominated benchmark issue for its public cover pool.

The Lettres de Gages publiques issue in the amount of € 500 million and a term of five years enjoyed great interest from investors, which was reflected in an order book volume of almost € 1.5 billion from approx. 90 different investors from approx. 20 countries.

After the final allocation, the largest proportion of investors was fund and asset managers at 42 per cent, followed by banks at 38 per cent, central banks and public institutions at 16 per cent and insurers at 4 per cent. The allocation according to the investors' region of origin shows an internationally very well diversified picture, and a further widening of the investor base as a result. The largest proportion of buyers was from Germany (40 per cent), followed by BeNeLux (13 per cent), Austria/Switzerland (12 per cent), Scandinavia (9 per cent), Eastern Europe (8 per cent), Asia (8 per cent), Great Britain/Ireland (5 per cent) and others (5 per cent).

As a supplement to the benchmark issue, private placements were also issued in the course of the year. As at 30 June 2019, the nominal over-collateralisation including derivatives was 25.0 per cent and the present value was 34.3 per cent. As a result, the statutory (2 per cent) and voluntary (22 per cent self-obligation) requirements were comfortably met. The origin of cover assets reflects the successful implementation of the business strategy, with 78.1 per cent coming from Europe (44.6 per cent from Germany).

Fixed Income/Structured Products Sales Europe again significantly boosted its business activities, both in the primary and secondary markets.

Loans

The allied lending business concentrated on the cooperation between NORD/LB CBB and partners from the Corporate Customer, Structured Finance, Maritime Industries and Aircraft Finance divisions of NORD/LB, and is the core business of NORD/LB CBB. NORD/LB CBB offers the NORD/LB Group unique added value with respect to its financing of credit transactions that qualify for the Lettre de Gage publiques. This is why the credit business eligible for cover pooling in Luxembourg is accounted by NORD/LB CBB across the Group. New business trends were encouraging again, leading to an increase in the lending portfolio eligible for cover pooling with these areas.

PPP business (Public Private Partnership) and lending to publicly-owned companies account for the majority of loans eligible for cover pooling, supported by selective business secured by export credit insurance. The geographical focus of the new business is on the core European states, in addition to selected new business from Asia. These loans serve as a cover pool for issuing Lettres de Gage publiques.

In addition to the credit transactions that qualify for the Lettres de Gage publiques, credits to finance renewable energies (solar and wind power) have also been accounted at NORD/LB CBB since 2018. These loans qualify as a cover pool for the issue of a Lettre de Gage énergies renouvelables.

Factoring

Alongside traditional lending business, the Bank specialises in structured factoring (individual and pool acquisitions). The factoring business of NORD/LB is a tailored solution for the respective customers involved. This business is mainly handled by NORD/LB CBB within the NORD/LB Group. This line of business represents an important and strategically significant growth area of NORD/LB and NORD/LBB CBB, and is operated in close cooperation with the Group. The factoring is considered an important anchor product, which remains in high demand from customers. The first half of 2019 was quite encouraging. The agreed programme limits were increased by more than 5 per cent in the first six months.

To strengthen and expand this segment, NORD/LB CBB is also working on initiatives to digitalise this business segment. Internal processes are being promoted continuously with the help of innovative software solutions, and work is under way to expand an existing cooperation framework with a FinTech company.

B2B Inhouse

The B2B Inhouse segment uses the Bank’s high-quality IT infrastructure and expertise and the existing internal service range to provide services to third parties within the NORD/LB Group. The goal is to makes optimal use of the Bank's resources and expertise within the Group.

Outlook:

Covered bond markets:

Activities at European level to harmonise the covered bond markets have entered the decisive phase. The covered bond directive represents the core of the harmonisation package, which forms the basis for implementation in national law. The directive contains both optional and mandatory requirements. With the vote on 18 April 2019, the European Parliament first adopted the package of measures in terms of content in its last session before the European election in May. However, because corresponding translations were not available for all official languages at the time, a new and therefore final vote by the newly elected parliament is necessary. This vote is expected to take place in autumn 2019; only then can implementation in national law be initiated, for which the national legislators will have 18 months. The national requirements must be applied with binding effect at the latest within a further 12-month period, whereby a transition period of up to 30 months can result.

Since the legislative project has yet to be completed on a European level and therefore the implementation in national law has not yet been initiated, it is not yet possible to make any statements on the nature and extent of possible effects on the Lettres de Gage business. To ensure the status of Lettres de Gage as a successful Pfandbrief product in Europe, the Bank has actively and constructively engaged in dialogue with the European institutions and interest groups involved in the harmonisation process.

Financial markets, sales, loans, factoring:

The Financial Markets Division continues to act as a service provider for the refinancing of asset portfolios, with a strong focus on active cover pool management. The covered refinancing is carried out via issues both of private placements and in benchmark size. The performance of new business is still deemed positive. The streamlined business model of NORD/LB CBB will continue to focus on refinancing credit transactions that qualify for the Lettre 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. Support for this segment’s further expansion will come through initiatives to digitalise administrative processes related to receivables portfolios and customer interaction.

Realignment of the NORD/LB Group

At the beginning of 2019 the owners took critical steps for the future of the NORD/LB Group, which will result in a redimensioning of the NORD/LB Group and a realignment of the business model. In principle, the Stakeholders’ Meeting of NORD/LB in February 2019 recommended that a capital strengthening of NORD/LB with Deutscher

Sparkassen- und Giroverband e.V. (DSGV) be pursued as a priority. A redimensioned business model and a business plan based on it will be successively further specified in coordination with the regulators (European Central Bank, Deutsche Bundesbank and Federal Financial Supervisory Authority).

In its first meeting, the Bank's internal project steering committee of the transformation programme NORD/LB 2024 defined the guidelines for the realignment of NORD/LB and in particular for the elaboration of the new business and operating model. The focus is on the standardisation, automation and centralisation of processes with the goal of reducing complexity in NORD/LB. The quantitative guidelines are, respectively, the target figures of the administrative costs and the employee count, as well as the reduced total assets of about € 95 billion, which must be reached by 2024. Conceptual and higher-level guidelines form the framework for implementing and operationalising these targets.

The Bank's new business model and the target figures for costs and income derived from it are still subject to the audit by the European Commission, with which the Bank is in deep discussions. These discussions can still result in adjustments or additions to these actions. According to the current status, by the end of 2019 the first measures should already have been adopted which work towards achieving the 2024 target. In the next three years all targets must be backed by actions and their realisation ensured, so that all actions have been implemented and all goals met by 2024.

Effects on NORD/LB CBB:

NORD/LB CBB, as a wholly owned subsidiary of NORD/LB, is contributing to the efficient restructuring of the Group. Achieving this goal will also mean a further reduction in employee capacity; the extent of the restructuring still needs to be determined. The efforts required to implement these measures will have a significant impact on 2019 and 2020. The works agreement negotiated with the employee representatives in 2018 to balance the interests of the employees affected has been extended until 31 December 2024.

As at 30 June 2019, NORD/LB CBB's ratings were as follows1:

	FitchRatings	Moody's
NORD/LB Luxembourg S.A. Covered Bond Bank		
Langfristig / kurzfristig	A-* / F1*	Baa2** / P-2
Lettres de Gage publiques	AAA*	Aa3**

* Rating Watch Negative

** Review for Upgrade

NORD/LB CBB began 2019 with a long-term issuer rating "Baa3" ("Review Direction Uncertain") from ratings agency Moody's Investors Service (Moody's), as well as a Long-Term Issuer Default Rating (IDR) of "A-" ("Rating Watch Negative") from Fitch Ratings (Fitch). On 14 February 2019, Moody's moved the long-term issuer rating of NORD/LB CBB from "Review Direction Uncertain" to "Review for Upgrade".

Lettres de Gage publiques

The Moody's rating for the Luxembourg Pfandbrief Lettres de Gage publiques remained unchanged at "Aa3" ("Review Direction Uncertain") at the beginning of the year. On 18 February 2019 Moody's set the Lettres de Gage publiques rating to "Review for Upgrade". On 21 January 2019 and on 7 June 2019, Fitch confirmed the rating for the Lettres de Gage publiques at "AAA" with "Rating Watch Negative".

The quality of the loan portfolio and the cover assets contained in the cover pool remains high, and is reflected in the extremely good ratings from Fitch and Moody's.

[1] For more information, see www.nordlbcbb.lu

Earnings

The interim financial statements of NORD/LB CBB dated 30 June 2019 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 2019 to 30 June 2019, 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:

	01.01.2019- 30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Net interest income	60,259	53,911	6,349
Net commission income	-25,046	-22,002	-3,044
Profit/loss from fair value measurement	-8,909	-18,952	10,044
Net valuation allowance from financial instruments not measured at fair value through profit or loss	3,479	1,226	2,253
Net disposal result from financial instruments not measured at fair value through profit or loss	-6	0	-6
Profit/loss from hedge accounting	8,008	-7,734	15,742
Foreign exchange result	51	143	-93
Profit/loss from shares in companies	64	0	64
Administrative expenses	-14,722	-17,876	3,154
Current amortisation and depreciation	-1,988	-1,300	-688
Other operating profit/loss	-10,468	-4,802	-5,666
Earnings before income taxes	**10,723**	**-17,387**	**28,110**
Income taxes	-3,137	4,509	-7,646
Net profit	**7,586**	**-12,877**	**20,463**

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

The breakdown of earnings components is as follows:

Net interest income

	01.01.2019- 30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Interest income	242,205	223,534	18,671
Interest expenses	-185,792	-172,063	-13,729
Interest rate anomalies	3,846	2,440	1,406
Net interest income	**60,259**	**53,911**	**6,349**

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

Net interest income rose sharply compared to the same period in the previous year, by € 6,349,000.

This is mainly due to increased lending to customers. Furthermore, € 1,006,000 (previous year: € 196,000) was generated in the first half of 2019 from special monetary policy measures of the ECB (TLTRO II).

Net commission income

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Commission income	7,053	5,445	1,608
Commission expenses	-32,099	-27,446	-4,652
Net commission income	**-25,046**	**-22,002**	**-3,044**

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

Net commission income fell year on the previous year by € 3,044,000 to € -25,046,000.

Commission income was generated principally in the lending and guarantee business (€ 3,396,000, previous year: € 2,374,000) and the securities and custody business (€ 3,449,000, previous year: € 2,872,000). Other commission income (€ 208,000, previous year: € 198,000) arose mainly from account management and services.
Commission expenses arose principally in the brokerage business (€ -21,844,000, previous year: € -19,559,000), lending and guarantee business (€ -8,638,000, previous year: € -6,335,000) and other commission expenses (€ -1,616,000, previous year: € -1,552,000).
The increase in commission expenses from the brokerage business and the lending and guarantee business is the result of an increased volume of customer loans.

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

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Trading profit/loss	1,476	-14,342	15,818
Profit/loss from financial assets mandatorily at fair value through profit or loss	11,706	-3,545	15,251
Profit/loss from financial instruments designated at fair value through profit or loss	-22,091	-1,066	-21,025
Profit/loss from fair value measurement, including hedge accounting	**-8,909**	**-18,952**	**10,044**

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

Profit/loss from financial instruments at fair value through profit or loss (€ -8,909,000, previous year: € -18,952,000) shows the trading profit/loss proper and the profit/loss from financial instruments mandatorily or voluntarily measured at fair value.

The trading profit/loss (€ 1,476,000, previous year € -14,342,000) in the previous year resulted essentially from negative basis effects of cross currency swaps, which were in economic hedges for underlying transactions in foreign currency.

The profit/loss from financial instruments mandatorily at fair value through profit or loss resulted in both periods almost exclusively from securities that were managed at fair value in a portfolio.

In contrast, interest-induced fair-value changes of own issues are in the profit/loss from financial instruments designated at fair value through profit or loss. The fair-value designation was made here on the basis of an accounting mismatch.

Net valuation allowance from financial instruments not measured at fair value through profit or loss

Changes in **loan loss provisions** resulted in income of € 3,479,000 (previous year: € 1,226,000). In both years this resulted essentially from a reduction in the impairment from lower default risks in accordance with the classification to provisioning levels 1 and 2. Furthermore, the Bank will receive a cash receipt from an already written-off receivable in the amount of € 1,791,000 (previous year € 0).

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

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Financial assets at fair value directly in equity	-6	0	-6
Financial assets at amortised cost	0	0	0
Financial liabilities at amortised cost	0	0	0
Net disposal result from financial instruments not measured at fair value through profit or loss	**-6**	**0**	**-6**

Net disposal result from financial instruments not measured at fair value through profit or loss is € 6,000. No securities or loans were sold in the previous year.

Profit/loss from hedge accounting

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Profit/loss from hedged underlying transactions	-11,451	-55,410	43,959
Profit/loss from derivatives employed as hedging instruments	19,459	47,675	-28,217
Profit/loss from hedge accounting	**8,008**	**-7,734**	**15,742**

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

The changes in the **profit/loss from hedge accounting** (€ 8,008,000; previous year: € -7,734,000) were the result of market interest fluctuations as well as OIS and CVA/DVA effects. These two effects occur in isolation in hedging transactions, thereby resulting in low inefficiencies and thus to an unbalanced profit/loss from hedge accounting.

In addition, effects from cross-currency basis spreads are included, which also occurred unilaterally in the hedging transactions.

Foreign exchange result

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Foreign exchange result	**51**	**143**	**-93**

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

The foreign exchange result is generally balanced at the Bank as currency risks are normally eliminated. Temporary and minor inefficiencies in this process result in a low foreign exchange result.

Administrative expenses

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Staff expenses	**-9,283**	**-10,268**	**986**
- Wages and salaries	-8,064	-8,983	919
- Social insurance contributions and pension expenses	-1,218	-1,285	67
Other administrative expenses	**-5,439**	**-7,608**	**2,169**
Administrative expenses	**-14,722**	**-17,876**	**3,154**

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

Administrative expenses were € 3,154,000 lower than in the previous year. The staff expenses were reduced according to plan by € 986,000 due to the multi-stage restructuring process currently being implemented. In the case of the other administrative expenses, consulting costs (€ 595,000, previous year € 1,746,000) and IT costs (€ 2,969,000, previous year € 3,739,000) in particular were responsible for the decrease.

Current amortisation and depreciation

Straight-line amortisation and depreciation on property and equipment as well as intangible assets rose by € 688,000 to € -1,988,000. The introduction of IFRS 16 contributed significantly to the increase. Due to the amortisation of usage rights, there was an expenditure in the amount of € 519,000, which in accordance with prior accounting would have accrued in administrative expenses.

Other operating profit/loss

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Other operating income	783	2,611	-1,828
Other operating expenses	-11,251	-7,413	-3,838
Other operating profit/loss	**-10,468**	**-4,802**	**-5,666**

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

Other operating profit/loss fell by € 5,666,000 to € -10,468,000.

The other operating income (€ 783,000, previous year € 2,611,000) essentially comprised rental income (€ 379,000, previous year € 354,000) as well as income from the reversal of provisions (€ 397,000, previous year € 166,000). In the previous year the Bank benefited from earnings outside the period from a TVA refund (€ 2,088,000).

Other operating expenses (€ -11,251,000, previous year: € -7,413,000) comprise cost allocation with the NORD/LB Group (€ -2,501,000, previous year: € -1,771,000) and the bank levy (€ -6,137,000, previous year: € -5,390,000). Furthermore, € -2,424,000 in taxes on wealth accrued for the reporting period (previous year € 0).

Income taxes

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change*) (in € thousand)
Current taxes	-3,137	0	-3,137
Deferred taxes	0	4,509	-4,509
Income taxes	**-3,137**	**4,509**	**-7,646**

*) 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.

Net assets and financial position

For the purposes of comparability, this condensed interim report of NORD/LB CBB as at 30 June 2019 refers to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2018, which was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in € million)
Cash reserve	12.8	443.4	-430.5
Trading assets	195.8	191.2	4.6
Financial assets at fair value through profit or loss	956.1	1,042.3	-86.2
Financial assets at fair value directly in equity	1,988.8	2,101.7	-112.9
Financial assets at amortised cost	12,921.7	13,103.0	-181.2
Positive fair values from hedge accounting derivatives	327.5	218.8	108.7
Other assets	105.2	98.9	6.3
Total assets	**16,508.0**	**17,199.3**	**-691.3**
Trading liabilities	111.2	81.1	30.2
Financial liabilities designated at fair value through profit or loss	1,552.8	1,634.1	-81.4
Financial liabilities at amortised cost	13,578.5	14,320.4	-741.9
Negative fair values from hedge accounting derivatives	515.5	438.5	77.0
Provisions	8.9	9.8	-0.9
Other liabilities	39.2	34.0	5.2
Reported equity	702.0	681.4	20.6
Total liabilities and equity	**16,508.0**	**17,199.3**	**-691.3**

Total assets fell by € 691.3 million compared with 31 December 2018, from € 17,199.3 million to € 16,508.0 million.

The **cash reserve** comprises balances with central banks and shows a decrease in the amount of € 430.5 million to € 12.8 million.

Trading assets primarily contain derivatives that do not qualify for hedge accounting on the balance sheet but are found in economic hedges (€ 162.6 million, previous year € 137.5 million)

Financial assets at fair value through profit or loss € 956.1 million (previous year € 1,042.3 million) decreased slightly compared with the previous year.

Financial assets at fair value directly in equity only comprise debt securities and other fixed-interest securities in the amount of € 1,988.8 million (previous year 2,101.7 million). The decline in financial assets at fair value directly in equity is mostly due to maturities and repayments that were not fully compensated for by new business.

The **amortised cost of financial assets** comprise debt securities and other fixed-interest securities € 1,797.2 million (previous year € 1,765.8 million), loans and advances to banks € 1,318.4 million (previous year € 1,966.4 million) and loans and advances to customers € 9,806.1 million (previous year € 9,370.8 million)

The loans and advances to banks is essentially characterised by money market transactions (€ 1,227.3 million; previous year € 1,890.7 million) and other loans and advances in the amount of € 91.1 million (previous year € 75.7 million).

In line with the Bank's strategy, loans and advances to customers largely consist of loan receivables in the amount of € 9,804.2 million (previous year: € 9,367.0 million). The increase in loans and advances to customers was based on the growth in new loans during the reporting period.

The **positive fair values from hedge accounting derivatives** in the amount of € 327.5 million (previous year € 218.8 million) increased compared with the previous year.

The largest items under **other assets** € 105.2 million (previous year € 98.9 million) are property and equipment (€ 65.6 million, previous year 64.2 million) as well as intangible assets € 30.3 million (previous year € 27.0 million).

The item **trading liabilities** comprises exclusively derivatives, most of which are found under economic hedges.

Financial liabilities designated at fair value through profit or loss (€ 1,552.8 million) only comprise own issues recognised in the balance sheet as designated at fair value due to an accounting mismatch (previous year: € 1,634.1 million). During the reporting period Lettres de Gage with a nominal value of € 100 million that are assigned to this measurement category became due.

The item **financial liabilities at amortised cost** in the amount of € 13,578.5 million (previous year € 14,320.4 million) comprises liabilities to banks (€ 5,987.9 million, previous year € 5,942.4 million), deposits from banks with an original maturity of more than one year in the amount of € 2,287.1 million (previous year € 2,304.1 million), liabilities resulting from money market transactions in the amount of € 3,698.7 million (previous year € 3,621.8 million), liabilities to customers € 3,402.1 million (previous year € 4,549.1 million) and securitised liabilities in the amount of € 4,188.5 million (previous year € 3,828.9 million).

The decrease in this item is primarily attributable to lower volumes in the area of money market transactions by customers.

The **securitised liabilities** increased in particular due to a new issue in the first six half of the year with a nominal value in the amount of € 500 million.

The **negative fair values from hedge accounting derivatives** in the amount of € 515.5 million (previous year € 438.5 million) increased compared with the previous year.

The **provisions** not only include provisions for reorganisation measures in the amount of € 4.3 million, but also provisions for pensions and similar obligations in the amount of € 3.3 million.

The **other liabilities** in the amount of € 39.2 million mainly include income tax liabilities.

The Bank's reported **equity** stood at € 702.0 million as at 30 June 2019 (previous year: € 681.4 million).

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

Risik report

The NORD/LB CBB risk report for 30 June 2019 was prepared in accordance with IFRS 7.

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

With due consideration of the applicable requirements in accordance with “BCBS 239 – Risk data aggregation and risk reporting”, the risk reporting follows the Management Approach. Internal and external risk reporting are essentially based on the same concepts, methods and data.

NORD/LB CBB’s risk management and the corresponding structural and process organisation, the procedures implemented and methods of risk measurement and monitoring were presented in detail in NORD/LB CBB’s annual report as at 31 December 2018. These condensed interim financial statements therefore describe only significant developments in the reporting period.

Risk management

In the first half of 2019, the focus was on implementing the requirements of BCBS 239 for the effective aggregation of risk data and risk reporting. In this context, as at 31 March 2019 the Risk Control & Strategy department introduced a new overall risk report that covers different types of risk. This includes information about all key figures that the Bank’s Managing Board considers relevant to management. The overall risk report comprises information that was previously distributed over several reports about risk types that are classified as material and the associated risk concentrations, the respective limit utilisations and stress-test results as well as the risk-bearing capacity from a normative and economic perspective.

Risk-bearing capacity in the first half of 2019

The table below shows the utilisation of risk capital in the economic perspective for NORD/LB CBB as at 30 June 2019 and as at 31 December 2018:

Risk-bearing capacity				
in EUR million	**30.06.2019**		**31.12.2018**	
Risk capital	**498**	**100%**	**578**	**100%**
Credit risk	95	19%	123	21%
Market price risk	105	21%	88	15%
Liquidity risk	47	9%	50	9%
Operational risk	16	3%	17	3%
Total risk potential	**263**		**278**	
Utilisation		**53%**		**48%**

As at 30 June 2019, the Bank’s risk-bearing capacity is well assured, similarly to the first half of the year. Despite reduced risk potentials, risk capital utilisation rate rose by 5 percentage points to 53 per cent because the risk capital fell significantly due to new regulatory requirements. In accordance with the ECB guideline for ICAAP, inclusion of the hidden liabilities in the calculation of risk capital in the economic perspective is mandatory, which is why since the reporting date 31 March 2019 the core capital minus the hidden liabilities only represents and upper limit for the risk capital.

The requirements of the risk strategy with respect to maximum permissible limit utilisation at the level of material risk types were also met as at 30 June 2019.

Counterparty risk

In terms of counterparty risks, credit and investment risks are considered on a consolidated basis within the Group. However, investment risks have no strategic significance for NORD/LB CBB because the Bank manages no investment in the portfolio and the Bank's business strategy does not include taking on any new investments.

Credit risk

The maximum default risk exposure for balance-sheet and off-balance-sheet financial instruments came to € 18.2 billion on the reporting date and decreased by 3.7 per cent or € 0.7 billion in the first half of 2019. The decrease resulted essentially from a lower volume in money market transactions (loans and advances to banks).

Risk-bearing financial instruments	**Maximum default risk exposure**	
in EUR million	30.06.2019	31.12.2018
Loans and advances to banks	1,318.4	1,966.4
Loans and advances to customers	9,806.1	9,370.8
Financial assets at fair value through profit or loss	1,151.9	1,233.5
Positive fair values from hedge accounting	327.5	218.8
Financial assets	3,786.0	3,867.5
Subtotal	**16,389.9**	**16,656.9**
Warranties for third-party accounts	94.4	151.2
Irrevocable credit committments	1,705.5	2,088.8
Total	**18,189.8**	**18,897.0**

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). As in the previous year, irrevocable and revocable loan commitments are each included at 35.0 per cent in the calculation of credit exposure, whereas collateral is not taken into account.

Analysis of credit exposure

The credit exposure as at 30 June 2019 was € 18.5 billion. The slight reduction by € 0.6 billion compared with 31 December 2018 was attributable in particular to a lower volume of call and time deposits as well as maturities of securities.

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

The following table shows the rating structure for the total credit exposure – broken down by product type and with the total compared to the structure as at 31 December 2018:

Rating structure [1] [2] in EUR million	**Loans** [3]	**Securities** [4]	**Derivatives** [5]	**Other** [6]	**Total exposure**	
	30.06.2019				**30.06.2019**	**31.12.2018**
very good to good	10,446.6	4,223.6	387.3	701.8	**15.779.4**	**16,345.6**
good / satisfactory	1,219.5	483.8	0.0	97.4	**1,800.7**	**2,010.2**
reasonable / satisfactory	337.6	24.1	0.0	68.4	**430.1**	**331.2**
increased risk	424.6	14.3	0.0	0.0	**438.9**	**356.3**
high risk	11.3	0.0	0.0	0.0	**11.3**	**42.6**
very high risk	21.6	0.0	0.0	0.0	**21.6**	**34.8**
Default (=NPL)	13.2	0.0	0.0	0.0	**13.2**	**11.1**
Total	**12,494.5**	**4,745.8**	**387.3**	**867.6**	**18,495.2**	**19,131.7**

[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 still 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 exposure	
	30.06.2019				30.06.2019	31.12.2018
Financing institutions / insurance companies	3,566.4	2,507.4	385.3	29.1	**6,488.2**	**7,291.6**
Service industries / other	3,322.2	1,997.7	1.4	173.8	**5,495.1**	**5,395.9**
- of which land and housing	*170.3*	*0.0*	*0.0*	*18.6*	***188.9***	***195.0***
- of which public administration	*57.1*	*1,972.8*	*0.0*	*2.5*	***2,032.3***	***2,122.0***
Transport / communications	937.3	24.4	0.5	80.8	**1.043.1**	**1,019.4**
- of which shipping	*144.7*	*0.0*	*0.0*	*0.0*	***144.7***	***94.1***
- of which aviation	*43.9*	*0.0*	*0.0*	*0.0*	***43.9***	***46.2***
Manufacturing industry	1.762.6	0.0	0.0	104.4	**1,867.0**	**1,873.9**
Energy, water, mining	1.857.4	216.3	0.1	433.5	**2,507.3**	**2,433.5**
Trade, maintenance, repairs	723.1	0.0	0.0	44.0	**767.1**	**819.8**
Agriculture, forestry, fishing	0.0	0.0	0.0	0.0	**0.0**	**8.5**
Construction	325.3	0.0	0.0	2.0	**327.3**	**289.1**
Others	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**12,494.5**	**4,745.8**	**387.3**	**867.6**	**18,495,2**	**19,131.7**

[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 (35.1 per cent overall). Due to the further expansion of the allied lending business with NORD/LB, the distribution is shifting towards the Energy, water and mining sectors (13.6 per cent), which accounted for the largest share after the Service industries/other segment (excluding public administration 18.7 per cent).

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 exposure	
	30.06.2019				30.06.2019	31.12.2018
Euro countries	9,332.1	2,264.0	367.3	853.0	**12,816.4**	**12,931.5**
- of which Germany	*7,579.7*	*1,003.8*	*348.7*	*830.9*	***9,763.1***	***9,724.9***
Other Europe	1,982.1	580.1	19.1	14.6	**2,595.9**	**3,226.1**
North America	982.4	1,464.3	0.9	0.0	**2,447.7**	**2,436.5**
Central and South America	111.9	0.0	0.0	0.0	**111.9**	**103.7**
Middle East / Africa	2,0	0.0	0.0	0.0	**2.0**	**2.0**
Asia/Australia	83,9	437.4	0.0	0.0	**521.4**	**431.9**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**12,494.5**	**4,745.8**	**387.3**	**867.6**	**18,495.2**	**19,131.7**

[1] The figures are reported in line with economic criteria, as in the internal reports.
[2] to [6] please see the preceding rating structure table.

The Bank invests almost exclusively in regions with strong economies. This means that country ratings are good too, which tends to make country risk less important. The eurozone accounts for a high 69.3 per cent share of lending, making it by far the most important business region.

At NORD/LB CBB, only guarantees and surety as well as financial collateral are recognised to mitigate risks. The following table illustrates the type and amount of collateral, and the breakdown of the uncollateralised exposures according to rating classes:

Security structure by rating class 1) 2) in € million	Excluding	Financial collateral 3)	Guarantees	Total	
	30.06.2019			30.06.2019	31.12.2018
Uncovered	**11,075.6**			**11,075.6**	**12,640.8**
very good to good	10,376.5			10,376.5	11,570.4
good / satisfactory	629.3			629.3	992.7
reasonable / satisfactory	33.1			33.1	25.2
increased risk	35.8			35.8	27.3
high risk	00.0			00.0	20.9
very high risk	00.0			00.0	3.2
default (=NPL)	0.0			0.0	1.2
Covered		2,041.3	5,378.3	**7,419.6**	**6,490.9**
Total				**18,495.2**	**19,131.7**

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

2) Please see the preceding table on the rating structure

3) including repo business

NORD/LB continues to be the largest provider of collateral, securing an exposure of € 4.7 billion (previous year: € 4.1 billion) with guarantees as at 30 June 2019.

Non-performing loans (NPLs)

Due to the failure of a borrower guaranteed by NORD/LB, the portfolio of non-performing loans increased by 20 per cent during the course of the year and as at 30 June 2019 comprises an exposure of € 13.2 million. The exposure is largely attributable to two borrowers from the service industry (€ 12.4 million), which are fully guaranteed by the parent company. Another € 0.8 million is distributed among three borrowers from the manufacturing industry.

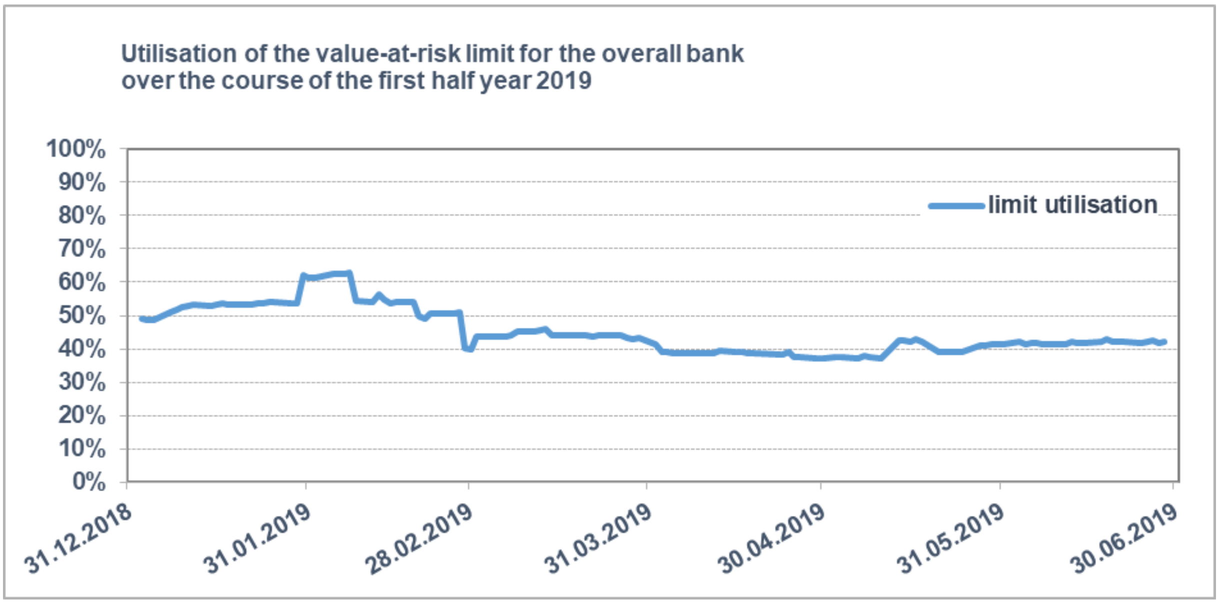
The Bank's risk provisioning (including credit provisions) as at 30 June 2019 had decreased by € 2.1 million to € 9.5 million since the beginning of the year.

Market-price risk

The markets that are relevant to the Bank were stable during the reporting period. We also continue to find ourselves in a low-interest environment, with the US dollar, GBP and euro interest rates having fallen even further during the reporting period. NORD/LB CBB also does not expect any significant increase in market-price risk during the rest of the year. The Bank expects its credit-spread risk will continue to drift sideways going forward. Based on the monetary policy decisions of central banks as well as the geopolitical environment, phases of increased volatility may nevertheless arise in the markets. This may, in turn, impact the risk situation. However, the Bank is well prepared even for volatile market phases thanks to its risk policy, the gradual enhancement of the risk models and risk management process, as well as its focused trading strategy.

Since 1 February 2018 the operating market-price risk limit for the value-at-risk (confidence level 99.9 per cent; holding period: one day) at the overall level of the Bank has been € 7.1 million. From 17 December 2018 to 13 May 2019 there was a limit transfer for hard syndications in the amount of € 1.5 million and from 20 May 2019 there was a new limit transfer in the amount of € 0.5 million by NORD/LB. This raised the overall bank limit to € 7.6 million as at 20 May 2019.

The following chart shows the development of the utilisation of the value-at-risk limit for the overall Bank:



As at 30 June 2019, the utilisation totalled € 3.2 million or 42.1 per cent (utilisation in the previous year: 49.2 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 annual utilisation of the VaR limit was 45.4 per cent (previous year: 51.5 per cent), with a maximum utilisation of 62.8 per cent (previous year: 63.9 per cent) and a minimum utilisation of 37.3 per cent (previous year: 24.9 per cent).

As at 30 June 2019, measurements showed interest-rate risks of € 2.7 million, foreign currency risks of € 1.8 million, volatility risks of € 0.1 million and credit-spread risks from fair value positions of € 2.3 million. The Bank calculated these risks at a confidence level of 99.9 per cent and with a holding period of one day.

The earnings-at-risk (confidence level: 99.9 per cent; holding period: one year) was € 1.8 million as at 30 June 2019 (previous year € 1.3 million). The limit of € 20.0 million therefore had a utilisation of 9.1 per cent.

The result of the standardised interest rate shock, as set out in CSSF Circular 16/642, is still well below the regulatory threshold, which prescribes a maximum 20 per cent share of liable equity.

The Bank uses the standard procedure pursuant to the CRR to calculate the regulatory capital requirement for interest rate, currency and share price risk. Taking into account the requirements for credit valuation adjustment ("CVA"), an equity requirement of € 0.6 million (previous year: € 0.9 million) was calculated for the market price risk on 31 December 2018.

In contrast to the credit-spread risks of the fair value positions, the credit-spread risks of the amortised cost positions are not included in the value-at-risk for market-price risks because they are based on the business case perspective of the risk-bearing capacity model. Consequently, they are measured separately through the credit spread value-at-risk at a confidence level of 99 per cent and with an extended data history (from 1 January 2008), but with a holding period of 250 days.

Similar to the other market-price risks and in line with the management of risk-bearing capacity, the credit spread value-at-risk determined using the model is scaled up to a confidence level of 99.9 per cent using the factor from the normal distribution and limited by this. The limit is derived from the resolution scenario of the risk-bearing capacity model.

The limit for the credit spread value-at-risk (confidence level: 99.9 per cent; holding period: 250 days) of the amortised cost positions in the amount of € 273 million had an average utilisation of 60.5 per cent in the first half of the year. The maximum utilisation was 61.6 per cent and the minimum utilisation was 58.8 per cent.

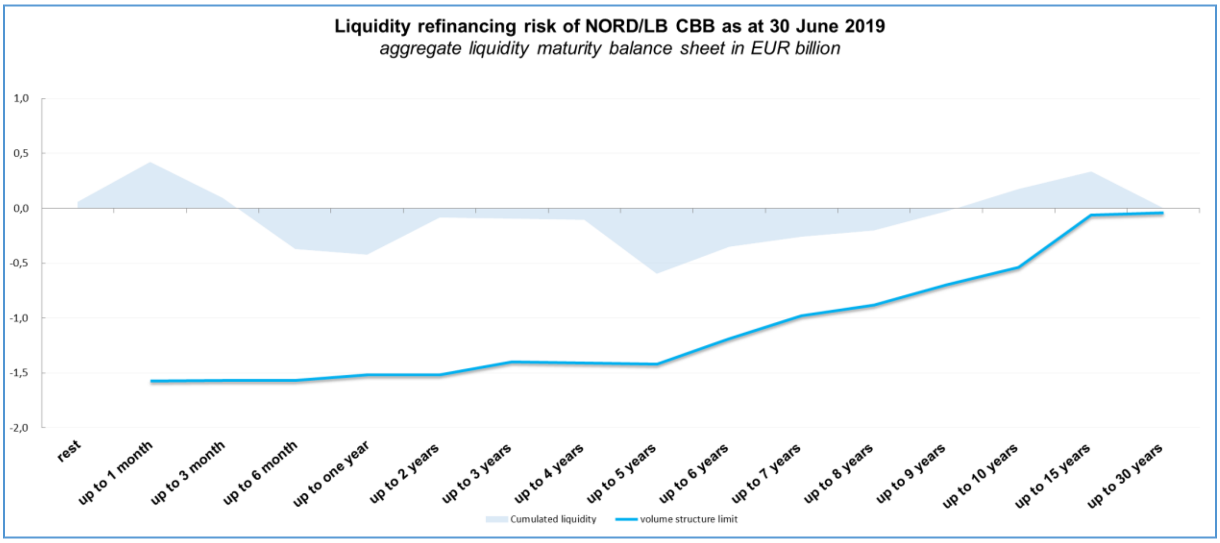
As at 30 June 2019, the credit spread value-at-risk (99.9 per cent, 250 days) of the amortised cost positions stood at € 161.6 million. The limit utilisation therefore came to 59.1 per cent (previous year: 61.1 per cent).

Liquidity risk

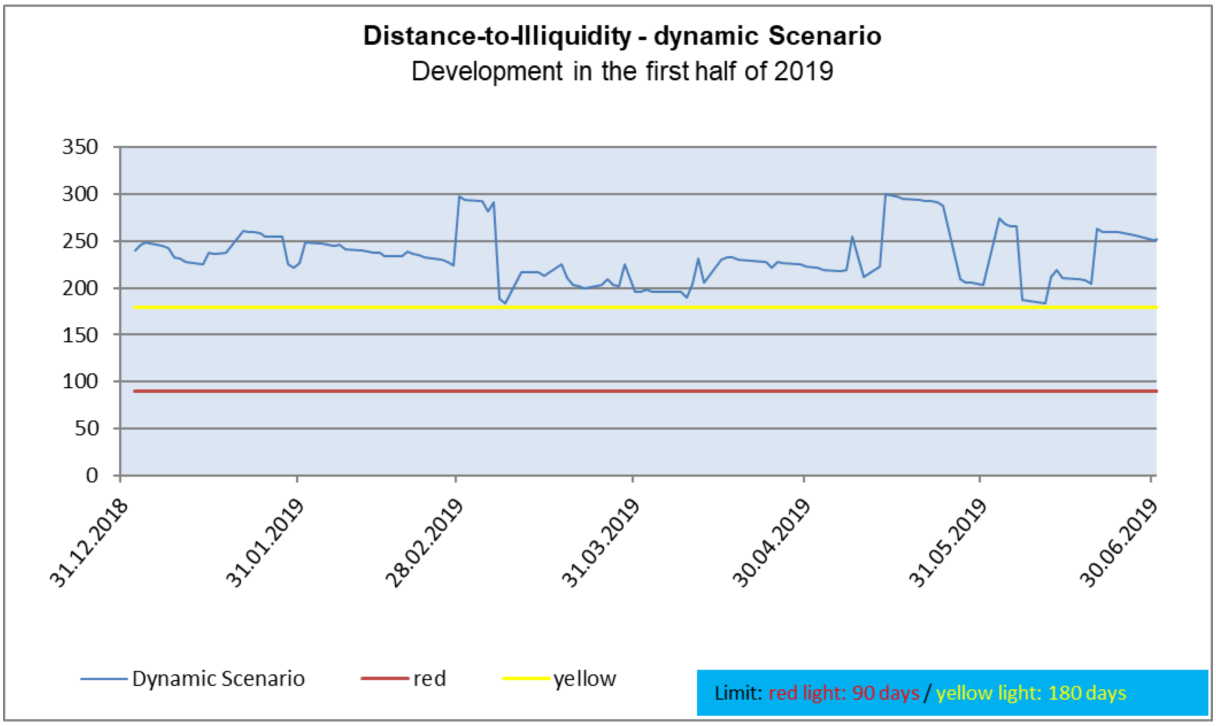
Irrespective of the Group's current situation and the continuing extremely low interest rate level, sufficient liquidity could be mobilised so that the liquidity risk management continues to be satisfactory.

The Bank continues to have a relatively balanced funding mix. The Bank's business strategy and the local banking circumstances in Luxembourg result in refinancing concentrations via financial institutions. Another significant component of the Bank's refinancing is term deposit transactions with corporate customers.

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

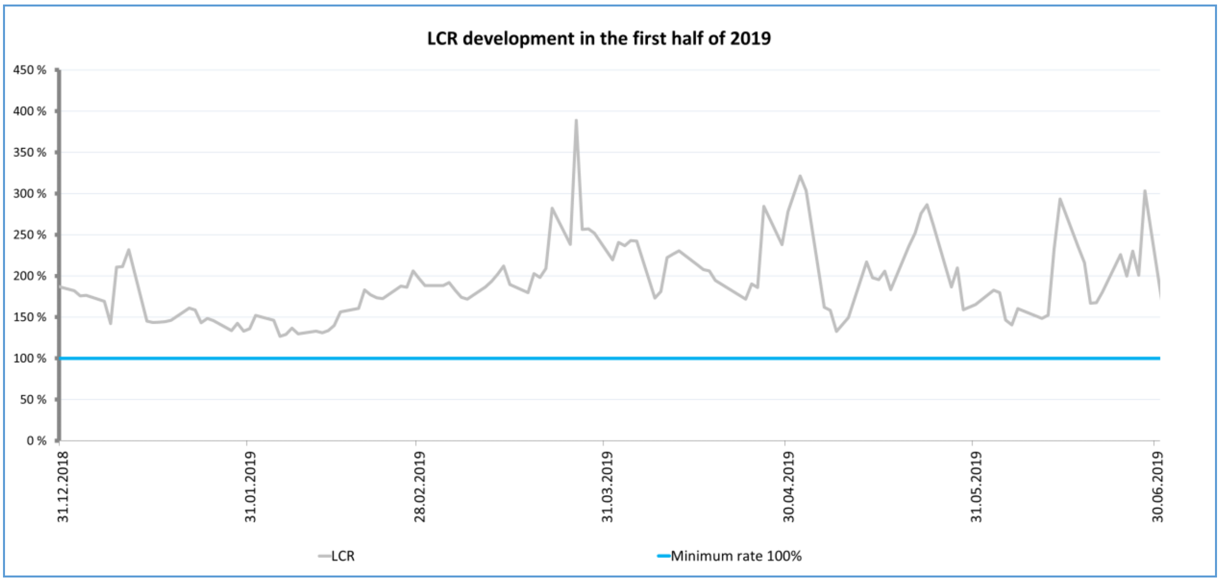


The distance-to-illiquidity (DTI) trend over one year in the dynamic management-relevant scenario for NORD/LB CBB is as follows:



In the first half of the year, the DTI in the dynamic scenario, which is relevant for the daily operational liquidity management, was always managed above the AMBER threshold of 180 days.

The LCR was determined at the Bank in accordance with Commission Delegated Regulation (EU) 2015/61 in conjunction with Commission Implementing Regulation (EU) 2016/322. The LCR for NORD/LB CBB developed as follows during the year:



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

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. As at 30 June 2019, the asset encumbrance rate for NORD/LB CBB stood at 56.8 per cent (previous year: 50.5 per cent). Consistent with the business model of a covered bond bank, NORD/LB CBB will continue to expand its funding via Lettres de Gage and will accordingly have a higher asset encumbrance ratio in the future.

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

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

The methods to measure risks and the reporting processes are being continuously enhanced. The primary focus will continue to be on the development and expansion of methods for validating and managing regulatory requirements, such as the NSFR.

The Bank already uses the ABACUS/DaVinci software for the regulatory reporting system and plans to collaborate with software provider BearingPoint to migrate internal liquidity risk reporting to the new Abacus360 software platform. This will ensure that the same consistent data basis is available for both regulatory reporting and internal risk reporting. It will also considerably simplify the reconciliation of results between external and internal reports. The project is due to be concluded in the second half of the year according to plan.

Operational risk

Close collaboration continued between the Compliance, Security, ICS, Emergency Management and OpRisk Management functions.

For NORD/LB CBB in the first half of the year, a total of two (previous year: none) claims greater than € 5,000 were reported, with all claims totalling € 320,000. The primary portion over € 309,000 was due to a complaint by an insolvency administrator. As at the reporting date, the legal proceedings regarding this are still ongoing.

As at 30 June 2019, the risk exposure for operational risk came to € 16.1 million according to the internal model (confidence level: 99.9 per cent; holding period: one year).

The capital requirement according to the standard approach was € 11.1 million as at the reporting date.

The Bank will collaborate closely with NORD/LB in the second half of the year to implement a software solution for integrated OpRisk management.

Summary and outlook

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

The 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 2019.

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 throughout the rest of the year were discussed in the relevant sections above.

Personnel report

Headcount

NORD/LB CBB's headcount compared with 31 December 2018 changed as follows:

30.06.2019	31.12.2018	Change (absolute)	Change (in %)
165	173	-8	-5

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 with regards to compiling financial reports is to prepare the condensed interim financial statements of NORD/LB CBB in accordance with the applicable accounting provisions of International Financial Reporting Standards as they are to be applied within the European Union so that said financial statements provide a true and fair view of the net assets, financial position and results of operations. The term Internal Control System (ICS) is used hereafter.

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.

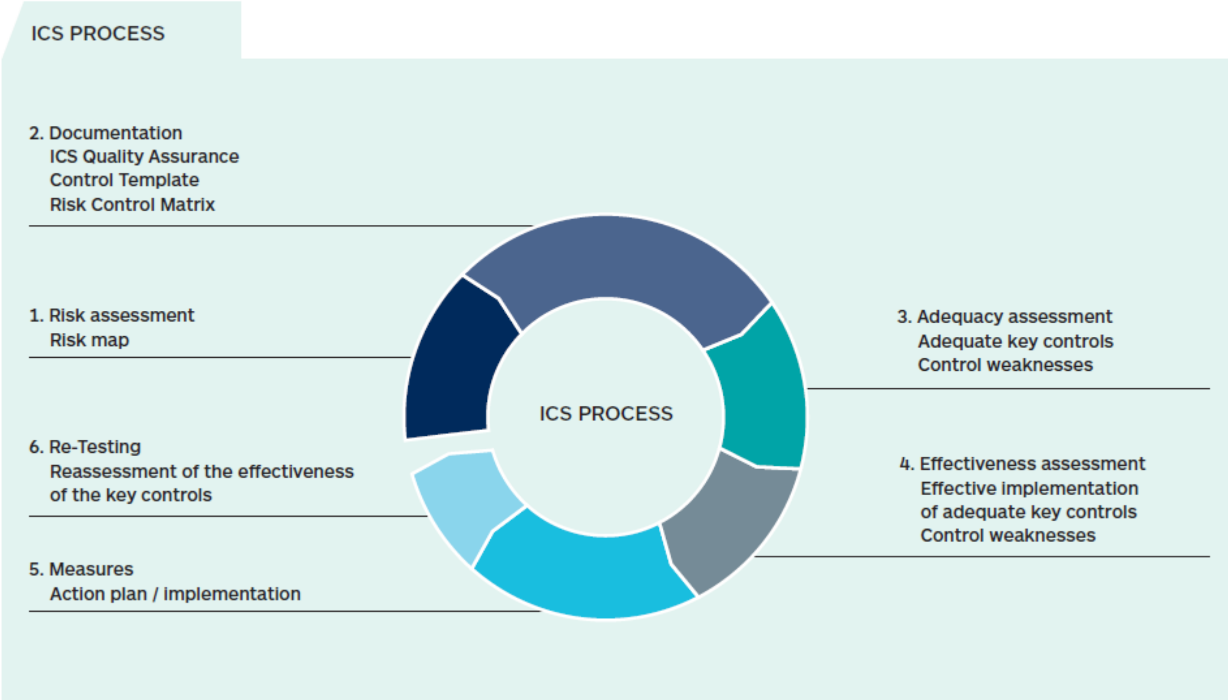
Risks for financial reporting may arise from errors in business processes. Fraudulent behaviour can also lead to misstatements. The Bank must therefore ensure that risks are minimised regarding misstatements, erroneous measurement or incorrect presentation of information in financial reporting.

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 methodology defined by the Bank's ICS Control Committee. It ensures that a uniform approach is taken to assess the ICS based on key controls.



The processes implemented are documented, and the inherent risks are determined and evaluated. The necessary controls are identified based on these risks. 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 them, and the ICS Officer of HR & Organisation monitors the implementation of these measures. Optimised controls are then tested for their appropriateness and effectiveness.

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

- daily controls by personnel carrying out the tasks
- ongoing critical controls by the staff responsible for the administrative processing of transactions
- controls performed by the appointed members of the Managing Board for the business areas and functions under their direct responsibility
- controls by the internal control functions

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's process organisation is governed by a documentation of internal regulations that is continuously monitored and updated to reflect changes in markets, work processes and external regulations. The core components of this documentation include organisational charts, guidelines, process descriptions and forms. 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 as a strategic factor

NORD/LB Luxembourg S.A. Covered Bond Bank has a Sustainability Management department with a sustainability officer and team. The work performed by Sustainability Management is geared towards the requirements of 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 sustainability strategy defines the basic orientation of the Bank's actions. The focal points in individual areas of activity that the Bank wishes to achieve by 2020 are documented here.

Since 23 May 2019 the sustainability rating agency ISS-oekom has assessed NORD/LB CBB with a Corporate Rating of C+ Prime in the investment status.

Corporate Responsibility Prime

rated by ISS-oekom

Governance

Acting with integrity is synonymous with responsible corporate governance for the Bank; it also helps to consistently strengthen the trust of all interest groups 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 want to actively help our customers prepare for the future. In this context, we help them to utilise 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.

NORD/LB CBB is a component of the Norddeutsche Landesbank Girozentrale's Group sustainability report. More information is available on the website www.nordlbcbb.lu/Nachhaltigkeit.

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 performance 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, 5 September 2019

Thorsten Schmidt	Manfred Borchardt
Member of the Managing Board	Member of the Managing Board
NORD/LB Luxembourg S.A. Covered Bond Bank	NORD/LB Luxembourg S.A. Covered Bond Bank

Condensed interim financial statements

Condensed interim financial statements

The following tables may contain computational rounding differences.

Income statement

Condensed income statement of NORD/LB CBB for the period from 1 January to 30 June 2019 compared with the period from 1 January to 30 June 2018:

	Notes	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Net interest income	**(5)**	**60,259**	**53,911**	**12**
Interest income from assets		242,205	223,534	8
Interest expenses from assets		-4,705	-1,600	> 100
Interest expenses from liabilities		-185,792	-172,063	8
Interest income from liabilities		8,551	4,041	> 100
Dividend income		0	0	-
Net commission income	**(6)**	**-25,046**	**-22,002**	**14**
Commission income		7,053	5,445	30
Commission expenses		-32,099	-27,446	17
Profit/loss from financial instruments		**2,687**	**-25,317**	**< -100**
Trading profit/loss	(7)	1,476	-14,342	< -100
Profit/loss from financial assets mandatorily at fair value through profit or loss	(7)	11,706	-3,545	< -100
Profit/loss from financial instruments designated at fair value through profit or loss	(7)	-22,091	-1,066	> 100
Modification gain/loss		0	0	-
Net valuation allowance from financial instruments not measured at fair value through profit or loss	(8)	3,479	1,226	> 100
Net disposal gain/loss from financial instruments not measured at fair value through profit or loss	(9)	-6	0	< -100
Profit/loss from hedge accounting	(10)	8,008	-7,734	< -100
Foreign exchange result	(11)	51	143	-65
Profit/loss from shares in companies		64	0	> 100
Administrative expenses	**(12)**	**-14,722**	**-17,876**	**-18**
Current amortisation and depreciation	**(13)**	**-1,988**	**-1,300**	**53**
Other operating profit/loss	**(14)**	**-10,468**	**-4,802**	**> 100**
Earnings before taxes		**10,723**	**-17,387**	**< -100**
Income taxes	**(15)**	**-3,137**	**4,509**	**< -100**
Earnings after taxes		**7,586**	**-12,877**	**< -100**

Condensed statement of comprehensive income

The total income for the first half of 2019 consists of the income and expenses recognised in the income statement and directly in equity.

of NORD/LB CBB for the period from 1 January to 30 June 2019 compared with the period from 1 January to 30 June 2018:

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Net profit	**7,586**	**-12,877**	**< -100**
Other comprehensive income that will not be reclassified to the income statement in subsequent periods	**-806**	**-1,196**	**-33**
Change in financial liabilities designated at fair value through profit or loss that are attributable to the change in credit risk	-975	-1,616	-40
Revaluation of net liability from defined benefit plans	0	0	-
Deferred taxes	169	420	-60
Other comprehensive income that will be reclassified to the income statement in subsequent periods	**13,847**	**-2,080**	**< -100**
Changes in financial assets at fair value directly in equity	17,948	-2,811	< -100
Unrealised profit/losses	17,948	-2,811	< -100
Reclassification based on realised profits/losses, including reclassifications to financial assets at fair value through profit or loss	0	0	-
Deferred taxes	-4,100	732	< -100
Other profit/loss	**13,041**	**-3,275**	**< -100**
Comprehensive income for the period under review	**20,627**	**-16,153**	**< -100**

Balance Sheet

of NORD/LB CBB as at 30 June 2019 compared with the reporting date 31 December 2018:

Assets	Notes	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Cash reserve		**12.8**	**443.4**	**-97**
Trading assets	**(16)**	**195.8**	**191.2**	**2**
Of which: Loans and advances to banks		0.0	0.0	-
Of which: Loans and advances to customers		33.2	53.7	-38
Financial assets mandatorily at fair value through profit or loss	**(16)**	**956.1**	**1,042.3**	**-8**
Of which: Loans and advances to banks		12.4	12.4	0
Of which: Loans and advances to customers		0.0	0.0	-
Financial assets at fair value through profit or loss	**(16)**	**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 directly in equity	**(17)**	**1,988.8**	**2,101.7**	**-5**
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	**(18)**	**12,921.7**	**13,103.0**	**-1**
Of which: Loans and advances to banks		1,318.4	1,966.4	-33
Of which: Loans and advances to customers		9,806.1	9,370.8	5
Positive fair values from hedge accounting derivatives		**327.5**	**218.8**	**50**
Property and equipment	**(19)**	**65.6**	**64.2**	**2**
Intangible assets	**(20)**	**30.3**	**27.0**	**12**
Current income tax assets		**3.0**	**3.0**	**0**
Deferred income tax assets		**2.0**	**1.8**	**9**
Other assets	**(21)**	**4.3**	**3.0**	**42**
Total assets		**16,508.0**	**17,199.3**	**-4**

Liabilities	Notes	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Trading liabilities	**(22)**	**111.2**	**81.1**	**37**
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	**(22)**	**1,552.8**	**1,634.1**	**-5**
Of which: Liabilities to banks		0.0	0.0	-
Of which: Liabilities to customers		0.0	0.0	-
Of which: Securitised liabilities		1,552.8	1,634.1	-5
Of which: Subordinated liabilities		0.0	0.0	-
Financial liabilities at amortised cost	**(23)**	**13,578.5**	**14,320.4**	**-5**
Of which: Liabilities to banks		5,987.9	5,942.4	1
Of which: Liabilities to customers		3,402.1	4,549.1	-25
Of which: Securitised liabilities		4,188.5	3,828.9	9
Of which: Subordinated liabilities		0.0	0.0	-
Negative fair values from hedge accounting derivatives		**515.5**	**438.5**	**18**
Provisions	**(24)**	**8.9**	**9.8**	**-9**
Current income tax liabilities		**7.0**	**11.2**	**-38**
Deferred income tax liabilities		**13.2**	**9.1**	**45**
Other liabilities	**(25)**	**18.9**	**13.6**	**39**
Equity	**(26)**	**702.0**	**681.4**	**3**
Of which: Issued capital		205.0	205.0	0
Of which: Retained earnings		463.1	455.5	2
Of which: Other comprehensive income (OCI)		33.9	20.8	63
Total liabilities and equity		**16,508.0**	**17,199.3**	**-4**

Condensed cash flow statement

of NORD/LB CBB for the period from 1 January to 30 June 2019 compared with the period from 1 January to 30 June 2018:

	01.01.2019-30.06.2019 (in € million)	01.01.2018-30.06.2018 (in € million)	Change (in %)
Cash and cash equivalents as at 01.01.	**443.4**	**448.3**	**-1**
Cash flow from operating activities	-423.7	56.9	< -100
Cash flow from investing activities	-6.8	-3.9	74
Cash flow from financing activities	0.0	-30.0	-100
Total cash flow	**-430.5**	**-23.0**	**> 100**
Cash and cash equivalents as at 30.06.	**12.8**	**471.3**	**-97**

Condensed statement of changes in equity

of NORD/LB CBB for the period from 1 January to 30 June 2019:

(in € million)			Other comprehensive income (OCI)			
	Issued capital	Retained earnings	Fair value changes from financial assets at fair value directly in equity	own credit-risk adjustment (OCA)	Revaluation of net liability from pensions	Total equity
Equity as at 01.01.2019	**205.0**	**455.5**	**26.0**	**-3.5**	**-1.6**	**681.4**
Period surplus	0.0	7.6	0.0	0.0	0.0	7.6
Changes in financial assets at fair value directly in equity	0.0	0.0	17.9	0.0	0.0	17.9
Changes in financial liabilities designated at fair value through profit or loss that are attributable to the change in credit risk	0.0	0.0	0.0	-1.0	0.0	-1.0
Deferred taxes	0.0	0.0	-4.1	0.2	0.0	-3.9
Comprehensive income for the period under review	**0.0**	**7.6**	**13.8**	**-0.8**	**0.0**	**20.6**
Equity as at 30.06.2019	**205.0**	**463.1**	**39.8**	**-4.3**	**-1.6**	**702.0**

of NORD/LB CBB for the period from 1 January to 31 December 2018:

			Other comprehensive income (OCI)			
(in € million)	**Issued capital**	**Retained earnings**	**Fair value changes from financial assets at fair value directly in equity**	**own credit-risk adjustment (OCA)**	**revaluation of net liability from pensions**	**Total equity**
Equity as at 01.01.2018	**205.0**	**481.4**	**16.4**	**0.0**	**0.0**	**702.8**
Reclassification of the revaluation of net liabilities from defined benefit plans	0.0	2.0	0.0	0.0	-2.0	0.0
First-time application IFRS 9	0.0	1.0	16.5	-1.9	0.0	15.7
Adjusted equity as at 01.01.2018	**205.0**	**484.4**	**32.9**	**-1.9**	**-2.0**	**718.5**
Distribution	**0.0**	**-30.0**	**0.0**	**0.0**	**0.0**	**-30.0**
Net profit	0.0	1.1	0.0	0.0	0.0	1.1
Changes from financial assets at fair value directly in equity	0.0	0.0	-9.4	0.0	0.0	-9.4
Changes in financial liabilities designated at fair value through profit or loss that are attributable to the change in credit risk	0.0	0.0	0.0	-2.2	0.0	-2.2
Revaluation of net liability from defined benefit plans	0.0	0.0	0.0	0.0	0.6	0.6
Deferred taxes	0.0	0.0	2.4	0.6	-0.2	2.9
Comprehensive income for the period under review	**0.0**	**1.1**	**-6.9**	**-1.7**	**0.4**	**-7.1**
Equity as at 31.12.2018	**205.0**	**455.5**	**26.0**	**-3.5**	**-1.6**	**681.4**

Condensed selected Notes

Condensed selected Notes

Accounting policies

(1) Principles for the preparation of the condensed interim financial statements and statements on the going concern

The condensed interim financial statements of NORD/LB CBB as at 30 June 2019 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 2018.

The condensed interim financial statements as at 30 June 2019 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 2019 relate to the balance sheet figures as at that date and to the information contained in the income statement for the period from 1 January to 30 June 2019, 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 Board of Directors on 5 September 2019 and approved for publication.

Assumption of the continuation of the business activities of NORD/LB and the NORD/LB Group

In recent years, the ongoing crisis in merchant shipping has gradually led to an increase in non-performing loan portfolios as well as to significant risk provisioning requirements, with corresponding burdens on the regulatory capital ratios of NORD/LB and the NORD/LB Group. Corresponding developments also contributed to the substantial loss in the financial year 2018. As a result of this, NORD/LB no longer met the regulatory capital ratios as at 31 December 2018 and in the first half of 2019.

To reduce non-performing ship portfolios and to create the basis for actions to strengthen the capital ratios, with a notarised basic agreement on 21 June 2019 NORD/LB and its owners as well as Deutscher Sparkassen- und Giroverband e. V. (DSGV) agreed to take action to strengthen capital and realign NORD/LB. The cornerstones of this agreement are a capital increase of approx. € 2.8 billion against cash contribution and capital substitution measures with a CET1 equivalent in the amount of approx. € 0.8 billion. This is aimed at preparing NORD/LB for further increases in regulatory requirements and permanently strengthening its crisis resilience and competitiveness. In addition to reducing distressed loan portfolios, the measures for realigning the business model of NORD/LB provide for an extensive transformation of individual business areas and subsidiaries of the Bank and the Group in the coming years.

Until the capital strengthening has been performed, the regulatory minimum capital ratios will still not be met. NORD/LB informed the banking supervisory authorities of this.

The capital strategy and business plan for the financial years 2019 to 2024, upon which the Managing Board's forecast of the bank as a going concern is based, takes account of the capital injection described, the capital substitution measures and the realignment of the business model. With its capital strategy and business plan, NORD/LB is currently in line with banking supervision requirements and, from the perspective of government aid, with the European Commission. NORD/LB assumes that by implementing the capital-strengthening measures contained therein and realigning the business model, this will lead to a significant increase in the capital ratios and all regulatory requirements will be met.

The going concern assumption made for accounting and measurement purposes as well as the continued existence of NORD/LB are beset with significant uncertainty and are based in particular on the assumption that

- the measures for strengthening the capital of NORD/LB agreed upon in accordance with the basic agreement of 21 June 2019 will be implemented, completed and approved by all relevant stakeholders, in particular by the state parliaments of Lower Saxony and Saxony-Anhalt and the DSGV, with the result that the capital ratios and buffers as well as the thresholds required by the regulators will be met in the future,
- the banking regulators, in particular the European Central Bank, the Federal Financial Supervisory Authority and the Deutsche Bundesbank, will tolerate the failure to meet the minimum capital ratios demanded by the regulators until the measures pursued to reinforce capital at the level of NORD/LB are completed,
- all official permits required to implement the plan, particularly from the European Commission and the responsible banking regulators, will be issued, and
- the realignment of the business model and the restructuring measures envisaged are put into practice on schedule.

If the planned measures to strengthen capital are not implemented as planned, NORD/LB could be wound up. In this case or in case of a rating downgrade or other adverse developments, significant outflows of short-term funds could be triggered and the refinancing options available to NORD/LB could be fundamentally limited.

Furthermore it is necessary that there is acceptance by the market participants and other relevant stakeholders, which is required for a successful implementation of the realignment of NORD/LB's business model.

(2) Adjustment of the previous year's figures

In the current interim financial statements, the previous year's figures have been adjusted on the basis of IAS 8.42 in the following points:

In the annual report as at 31 December 2018, within the Notes disclosure Related Parties, incorrect guarantees/sureties received towards the parent company were reported. This adjustment had no effect on the presentation of the balance sheet and the income statement figures as at 31 December 2018.

The adjustments were presented as follows and implemented in Note ((35) Related parties).

31.12.2018 **(in € million)**	**Guarantees/sureties received before correction**	**Guarantees/sureties received after correction**
Parent company and businesses under common control or significant influence	4,104.4	4,941.1

(3) Accounting policies to be applied

In principle, the accounting policies for the interim financial statements pursuant to IFRS are based on those of the annual report as at 31 December 2018. Additionally, the rules of IFRS 16 were applied to the interim financial statements as at 30 June 2019 for the first time. The regulations resulting from this standard that is to be newly applied as at 1 January 2019 and the application to NORD/LB CBB are described below.

IFRS 16 – Leasing

On 1 January 2019 IFRS 16 replaced the regulations on the accounting for leases of IAS 17 in conjunction with the interpretations IFRIC 4, SIC-15 and SIC-27. 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 applied the regulations of IFRS 16 on all leases identified under IAS 17 modified retrospectively. The previous year's figures have therefore not been adjusted.
In particular, the new standard affects the Bank’s accounting as a lessee. With IFRS 16 there is now a uniform accounting model for lessees, under which right-of-use assets and leasing liabilities for leases are to be recorded.
As lessee, NORD/LB CBB makes use of the option not to recognise rights of use or lease liabilities for short-term leases and low-value leased assets. Instead, the expenses arising from these contracts are recognised in the income statement in the period in which they are incurred. Leases expiring in 2019 are also treated as short-term leases. Furthermore, NORD/LB CBB makes use of the option not to recognise leasing arrangements for other intangible assets in accordance with IFRS 16.
Effects on the financial position and financial performance of NORD/LB CBB as lessee are caused in particular by an increase in total assets in the balance sheet as a result of the recognition requirement for right of use assets and liabilities for leases that are currently recorded under IAS 17 as operating leases and therefore not recognised in the balance sheet. As at 1 January 2019, right of use assets of € 2.8 million and lease liabilities of the same amount were recognised for the first time.

The amount of lease liabilities to be recognised as at 1 January 2019 consists of the following future minimum lease payments (in € thousand):

Undiscounted future minimum lease payments from operating leases in accordance with IAS 17	898
Discounted minimum future lease payments from operating leases in accordance with IAS 17	865
No recognition of lease liability in accordance with IFRS 16	
Short-term leases	0
Low-value leased assets	80
Lease ends in 2019	35
Discounted minimum future lease payments from finance leases in accordance with IAS 17	1,912
Lease obligation as per IFRS 16	**2,777**

Moreover, breaking down lease expenses - previously recognised under administrative expenses - into a depreciation component and an interest component using the effective interest method results in a degressive development of expense from 2019 onward and an earlier recognition of expenses in the earlier periods of the term of a lease.

In addition to IFRS 16, the following amendments to the standards requiring application as at 1 January 2019 were applied for the first time during the reporting period:

Amendments to IFRS 9 – Prepayment Features with Negative Compensation
In October 2017, the IASB published narrow-scope amendments to IFRS 9. These amendments clarified or adjusted the existing rules regarding the classification of financial assets. This was prompted by the ambiguous application of these rules in the case of financial instruments that include symmetric termination and indemnity clauses, where a termination indemnity could theoretically be paid by the borrower to the lender and by the lender to the borrower. The amendment clarifies that, under certain conditions, such contractual clauses do not contradict the fulfilment of the cash flow criterion – regardless of whether the termination indemnity is paid by the borrower or the lender. The adjustment has no impact on the interim financial statements of NORD/LB CBB.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

The amendment published in February 2018 relates to the use of updated assumptions to determine current service costs and the net interest result when accounting for pension plans for the remainder of the reporting period after a prior amendment, curtailment or termination of the plan. The Bank is not currently affected by the amendment.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

In October 2017, the IASB published amendments to IAS 28. These amendments clarified the rules in IAS 28.14 in conjunction with IFRS 9.2.1 (a). The adjustment in IAS 28 specifies that IFRS 9 must be applied for certain long-term financial instruments that form part of the net investment in an associate or joint venture provided they are not recognised using the equity method. This has no impact on the interim financial statements.

Improvements to IFRS (cycle 2015 – 2017) under the IASB's annual improvements process

As part of the annual improvements process, changes were made to IFRS 3, IFRS 11, IAS 12 and IAS 23 that are applicable for financial years beginning on or after 1 January 2019. The clarification in IFRS 3 and IFRS 11 regarding when control is obtained of joint operations has no relevance for NORD/LB CBB. The adjustment in IAS 12 regarding the tax treatment of dividends is in line with the previous procedure in the NORD/LB Group. The clarification of IAS 23 regarding borrowing costs also has no impact on the Bank's interim financial statements.

Furthermore, the application of IFRIC Interpretation 23 “Uncertainty over Income Tax Treatments” has had no influence on NORD/LB CBB’s interim financial statements.

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

The estimates and values required to carry out the accounting pursuant to IFRS are based on assumptions and parameters that were made in application of the proper exercise of discretion by management. This affects assets and liabilities, contingent obligations 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

Segmentation 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 structures of the Bank. The segment information is presented in IFRS on the basis of internal reporting to management the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The reporting is carried out monthly.

Net interest income generated by the individual segments is calculated based on the market interest rate method. In doing so, the contribution from interest terms for each customer transaction is determined by comparing the customer terms with the similarly structured market rate for a notional offsetting transaction applicable at the time they were concluded. This market interest rate is also used as the cost rate for the balancing provision in Treasury. As a result there is no gross recognition of interest income and interest expenses. The financing income from committed equity is distributed across market segments. At the Bank, every interest-bearing customer transaction is applied to the balancing provision held by the Treasury as the central cash management unit. There are no direct business relationships among market divisions within the Bank. For this reason, no inter-segment earnings are recognised in the internal reporting.

The segment expenses include original expenses as well as expenses allocated on the basis of cost and service charging. The loan loss provisions have been allocated to the segments on the basis of actual costs.

In addition to the income statement figures, the attributable risk-weighted assets, segment assets and liabilities, committed capital and the key figures of the cost-income ratio (CIR) and Return on Risk adjusted Capital (RoRaC) are also presented in the segment report.
Committed capital in the segments is calculated on the basis of average annual values.

The following segments are considered in the segment reporting by business segment:

Financial Markets & Sales

This segment primarily includes the areas commissioned with managing the Bank (liquidity supply, interest and currency management). The main focus of Financial Markets & Sales is issuing Lettres de Gage. Sales activities in which the European marketing capacities of the NORD/LB Group are bundled are allocated to this segment too.

Loans

This segment principally comprises the credit business transferred from the Group with the resulting contributions to earnings (including the two business models/USP "credit business eligible for cover pooling" and "factoring").

B2B Inhouse

One fundamental concept in this segment is the use of infrastructure employed by the Bank itself along with available know-how to offer services within the Group (e.g. IT structure in business model/USP "Helios/IT Group Services"). Additionally, the Bank outsourced the business segment of Private Banking to Nordlux Vermögensmanagement S.A. at the end of 2014. Account management and custody service as well as lending business with private banking customers remained at the Bank, as did the resulting income, and are allocated to the B2B Inhouse business segment. Parts of the expenses incurred from the former Private Banking business segment are shown under administrative expenses. Furthermore, income from service charging with Nordlux Vermögensmanagement S.A. is reported under other operating profit/loss.

Bank Management & Other

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

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

	Segments				
In € thousand (01.01.2019 - 30.06.2019 / 01.01.2018 - 30.06.2018)	**Financial Markets & Sales**	**Loans**	**B2B Inhouse**	**Bank Management & Other**	**Total**
Net interest income	**10,479**	**46,931**	**539**	**2,311**	**60,259**
Previous year	8,643	42,649	615	2,003	**53,911**
Net commission income	**2,131**	**-26,647**	**-529**	**-1**	**-25,046**
Previous year	1,455	-23,190	-267	0	**-22,002**
Net disposal result from financial instruments not measured at fair value through profit or loss	**-6**	**0**	**0**	**0**	**-6**
Previous year	0	0	0	0	**0**
Profit/loss from financial instruments at fair value through profit or loss Financial instruments	**-9,612**	**0**	**0**	**704**	**-8,909**
Previous year	-7,201	0	0	-11,751	**-18,952**
Profit/loss from hedge accounting	**0**	**0**	**0**	**8,008**	**8,008**
Previous year	0	0	0	-7,734	**-7,734**
Foreign exchange result	**51**	**0**	**0**	**0**	**51**
Previous year	143	0	0	0	**143**
Other operating profit/loss	**-1,480**	**-156**	**366**	**-9,479**	**-10,749**
Previous year	-1,341	-213	354	-3,694	**-4,893**
Administrative expenses	**-4,470**	**-4,404**	**-1,838**	**-4,010**	**-14,722**
Previous year	-5,083	-5,083	-2,271	-4,816	**-17,253**
Amortisation and depreciation	**-446**	**-439**	**-703**	**-400**	**-1,988**
Previous year	-424	-424	-82	-370	**-1,300**
Reorganisation result	**0**	**0**	**0**	**0**	**0**
Previous year	0	0	0	-623	**-623**
Modification gain/loss	**0**	**0**	**0**	**0**	**0**
Previous year	*0*	*0*	*0*	*0*	***0***
Profit/loss from provisions	**3**	**271**	**6**	**0**	**281**
Previous year	2	88	2	0	**91**
Profit/loss from loan loss provisions – not at fair value through profit or loss	**989**	**2,488**	**2**	**0**	**3,479**
Previous year	268	965	-7	0	**1,226**
Profit/loss from shares in companies	**0**	**0**	**64**	**0**	**64**
Previous year	0	0	0	0	**0**
Earnings before taxes	**-2,362**	**18,044**	**-2,093**	**-2,867**	**10,723**
Previous year	-3,538	14,792	-1,656	-26,985	**-17,386**

Taxes				**-3,137**	**-3,137**
Previous year				4,509	**4,509**
Net profit/loss for the financial year	**-2,362**	**18,044**	**-2,093**	**-6,004**	**7,586**
Previous year	-3,536	14,792	-1,657	-22,477	**-12,878**
30.06.2019 (previous year's figures as at 30.06.2018)					
Segment assets (in € million)	**6,557**	**9,808**	**37**	**105**	**16,508**
Previous year	7,008	8,384	40	101	**15,533**
Segment liabilities (in € million) (including equity)	**14,592**	**1,077**	**96**	**743**	**16,508**
Previous year	13,253	1,426	133	721	**15,533**
Risk assets (in € million) (average annual figures)	**1,130**	**3,002**	**33**	**72**	**4,237**
Previous year (annual average figures)	1,056	2,959	35	100	**4,151**
Capital commitment (in € million)	**90.4**	**240.1**	**2.7**	**5.7**	**338.9**
Previous year	84.52	236.7	2.8	8	**332.0**
CIR	**314.0%**	**23.7%**	**664.8%**	**285.8%**	**69.9%**
Previous year	332.9%	29.3%	353.4%	-25.3%	**3,404.1%**
RoRaC/RoE*	**-3.8%**	**15.0%**	**-119.2%**	**-70.6%**	**6.3%**
Previous year	-5.8%	12.4%	-91.4%	-572.6%	**-9.7%**

*) The cost/income ratio is calculated by dividing administrative expenses, including depreciation and amortisation, by the result of the sum of net interest income, net commission income, profit/loss from financial instruments measured at fair value, foreign exchange result, profit/loss from hedge accounting and other operating profit/loss. (further information on this pursuant to the requirements set out in CSSF Circular 16/636 is provided on the following page)

**) RoRaC = earnings before taxes/maximum (of the limit for committed capital or committed capital) (further information on this pursuant to the requirements set out in CSSF Circular 16/636 is provided on the following page)

30.06.2019 (previous year's figures as at 30.06.2018)	**Financial Markets & Sales**	**Loans**	**Group Service B2B**	**Bank Management & Other**	**Total**
Property and equipment, net	**0.0**	**0.0**	**0.0**	**65.6**	**65.6**
Previous year	*0.0*	*0.0*	*0.0*	64.6	**64.6**
Depreciation on property and equipment, current year	**0.0**	**0.0**	**0.0**	**-1.3**	**-1.3**
Previous year	*0.0*	*0.0*	*0.0*	-0.8	**-0.8**
Intangible assets, net	**0.0**	**0.0**	**0.0**	**30.3**	**30.3**
Previous year	*0.0*	*0.0*	*0.0*	25.5	**25.5**
Amortisation on intangible assets, current year	**0.0**	**0.0**	**0.0**	**-0.7**	**-0.7**
Previous year	*0.0*	*0.0*	*0.0*	-0.5	**-0.5**
Valuation allowances on financial assets, current year	**1.0**	**0.0**	**0.0**	**0.0**	**1.0**
Previous year	*0.3*	*0.0*	*0.0*	*0.0*	***0.3***

<u>Supplementary information pursuant to CSSF Circular 16/636</u>:

The **"cost/income ratio"** is a metric used for measuring efficiency.

As at 30 June 2019 the cost/income ratio is calculated by dividing administrative expenses, including depreciation and amortisation, by the result of the sum of net interest income, net commission income, profit/loss from financial instruments measured at fair value, foreign exchange result, profit/loss from hedge accounting and other operating profit/loss.

	30.06.2019	30.06.2018
Cost/income ratio	**69.9%**	**3,404.1 %**
(in € million)		
Administrative expenses including amortisation and depreciation	-16.7	-19.2
Net interest income	60.3	53.9
Net commission income	-25.0	-22.0
Profit/loss from financial instruments measured at FV	-8.9	-19.0
Foreign exchange result	0.1	0.1
Profit/loss from hedge accounting	8.0	-7.7
Other operating profit/loss including profit/loss from provisions	-10.5	-4.8

Profit/loss based on method as at 31.12.2018:

RoRaC (return on risk-adjusted capital) is a performance indicator adjusted for risk. It shows the ratio between a period's earnings before tax and the limit for committed capital, or committed capital, whichever is higher:

	30.06.2019	30.06.2018
RoRaC	**6.3 %**	**-9.7 %**
(in € million)		
Earnings before taxes	10.7	-17.4
Limit for committed capital	341.8	357.2
Committed capital	338.9	332.0

Notes to the income statement

(5) Net interest income and current income

The interest income and interest expenses items include paid and received interest, accrued interest and pro rata reversals of premiums and discounts on financial instruments.

	01.01.2019-30.06.2019- (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Interest income from assets	**237,500**	**221,933**	**7**
Interest income from financial assets at fair value through profit or loss	**28,188**	**22,110**	**27**
Interest income from trading assets	24,266	17,597	38
Interest income from trading derivatives	23,869	17,351	38
Interest income from loans and advances	397	246	61
Interest income from financial instruments mandatorily at fair value	3,922	4,513	-13
Interest income from debt securities and other fixed-interest securities	3,645	3,749	-3
Interest income from loans and advances	277	764	-64
Interest income from financial assets at fair value directly in equity	**9,910**	**11,291**	**-12**
Interest income from debt securities and other fixed-interest securities	9,910	11,291	-12
Interest income from financial assets at amortised cost	**144,903**	**133,706**	**8**
Interest income from debt securities and other fixed-interest securities	31,883	34,252	-7
Interest income from loans and advances	113,020	99,446	14
Interest income from impaired debt securities and other fixed-interest securities as well as loans and advances	0	8	-100
Interest income from hedging derivatives	**59,191**	**56,408**	**5**
Other interest income and similar income	**12**	**19**	**-38**
Interest expenses from assets	**-4,705**	**-1,600**	**> 100**
Interest expenses from liabilities	**-177,241**	**-168,023**	**5**
Interest expenses from financial liabilities at fair value through profit or loss	**-55,386**	**-36,849**	**50**
Interest expenses from trading liabilities	-44,720	-28,513	57
Interest expenses from trading derivatives	-44,720	-28,513	57
Interest expenses from financial liabilities designated at fair value through profit or loss	**-10,666**	**-8,336**	28
Interest expenses from securitised liabilities	-10,666	-8,336	28
Interest expenses from financial liabilities at amortised cost	**-77,539**	**-78,294**	**-1**
Interest expenses from deposits	-64,035	-64,788	-1
Interest expenses from securitised liabilities	-13,504	-13,506	0
Interest expenses from hedging derivatives	**-52,845**	**-56,916**	**-7**
Other interest expenses and similar expenses	**-23**	**-5**	**> 100**
Interest income from financial liabilities	**8,551**	**4,041**	**> 100**
Total	**60,259**	**53,911**	**12**

(6) Net commission income

NORD/LB CBB reports commission expenses and income in its profit/loss.

The Bank differentiates in net commission income between transaction-dependent commissions, which are due and realised when the transaction occurs, and commissions linked to a specific period, which are realised on a straight-line basis over this period. Commissions linked to a specific period are not distributed using the effective interest method given their subordinate importance.

The primary portion of commission income is attributable to both credit and guarantee commissions realised on a pro rata basis and one-time commissions in lending business with non-banks. The smaller portion is due to transaction-dependent commissions in the brokerage business for customers and portfolio commissions in the fund business.

The commission expenses incurred on a pro rata basis stem predominantly from the brokerage business with NORD/LB, Hanover. The transaction-dependent commissions are primarily derived from own payment transactions and securities commission transactions of the Bank.

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Commission income	**7,053**	**5,445**	**30**
Lending and guarantee business	3,396	2,374	43
Account management and payment transactions	63	82	-23
Security transactions and custody service	3,449	2,872	20
Other commission income	145	116	25
Commission expenses	**-32,099**	**-27,446**	**17**
Lending and guarantee business	-8,638	-6,335	36
Account management and payment transactions	-81	-75	8
Security transactions and custody service	-501	-551	-9
Brokerage business	-21,844	-19,559	12
Other commission expenses	-1,034	-926	12
Total	**-25,046**	**-22,002**	**14**

(7) Profit/loss from fair value measurement

The profit/loss from fair value measurement comprises the realised profit/loss (defined as the difference between the disposal proceeds and the carrying amount at the last reporting date) and the measurement profit/loss from financial instruments at fair value through profit or loss (defined as unrealised expenses and income from fair value measurement).

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Trading profit/loss	**1,476**	**-14,342**	**< -100**
Profit/loss from derivatives	1,734	-14,302	< -100
- Interest-rate risks	1,038	-2,762	< -100
- Currency risks	696	-11,540	< -100
Profit/loss from loans and advances held for trading	-257	-39	> 100
Profit/loss from financial assets mandatorily at fair value through profit or loss	**11,706**	**-3,545**	**< -100**
Profit/loss from debt securities and other fixed-interest securities	11,950	-2,738	< -100
Profit/loss from loans and advances	-244	-807	-70
Profit/loss from financial instruments designated at fair value through profit or loss	**-22,091**	**-1,066**	**> 100**
Profit/loss from securitised liabilities	-22,091	-1,066	> 100
Total	**-8,909**	**-18,952**	**-53**

(8) Net valuation allowance from financial instruments not measured at fair value through profit or loss

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Loan loss provisions for financial assets at fair value directly in equity	**-6**	**-5**	**33**
Income from reversal of loan loss provisions for			
Debt securities and other fixed-interest securities	7	4	66
Expenses from allocations of loan loss provisions for			
Debt securities and other fixed-interest securities	-13	-9	49
Loan loss provisions from financial assets at amortised cost	**1,694**	**1,231**	**38**
Income from reversal of loan loss provisions for			
Debt securities and other fixed-interest securities	1,006	300	> 100
Loans and advances	1,226	1,475	-17
Expenses from allocations of loan loss provisions for			
Debt securities and other fixed-interest securities	-4	-25	-85
Loans and advances	-534	-519	3
Additions to receivables written off	**1,791**	**0**	**> 100**
Total	**3,479**	**1,226**	**> 100**

(9) Net disposal result from financial instruments not measured at fair value through profit or loss

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Profit/loss from disposal of financial assets at fair value directly in equity	**-6**	**0**	**> 100**
Profit/loss from the disposal of			
debt securities and other fixed-interest securities	-6	0	> 100
Total	**-6**	**0**	**> 100**

(10) Profit/loss from hedge accounting

The profit/loss from hedge accounting includes the changes in fair value relating to the h edged risk on the underlying transactions and changes in the fair value of hedging instruments in effective micro fair value hedges. Hedged underlying transactions include loans and advances or liabilities to banks and customers, financial assets and own issues.

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Profit/loss from micro fair value hedges	**8,008**	**-7,734**	< -100
from hedged underlying transactions	-11,451	-55,410	-79
from derivatives employed as hedging instruments	19,459	47,675	-59
Total	**8,008**	**-7,734**	**< -100**

The Bank hedges interest and currency risks in accordance with its risk strategy. To this end, interest rate swaps are used to hedge fixed-income underlying transactions in euros. Pure interest rate swaps in the same currency or cross currency interest rate swaps can be used for fixed-income underlying transactions in foreign currencies. The interest and currency hedging also takes place using derivatives outside of IFRS hedge accounting.

The Bank generally hedges risks from underlying transactions with a single derivative, whose critical terms of nominal amounts, currencies, maturities and interest rates match those of the underlying transaction. Here, the fixed interest payments from the underlying transactions under assets are passed on via the paying leg of the derivative. For loans it is often only the interest rate costs that are hedged. On the receiving leg, the Bank receives variable interest based on a reference interest rate (generally EURIBOR or LIBOR) plus a margin. For underlying transactions under liabilities, the Bank receives a fixed interest payment from the receiving leg of the derivative, and pays variable interest in the paying leg of the derivative, also based on a reference interest rate (generally EURIBOR or LIBOR) plus a margin.

The following effects have an impact on the hedging result and result in ineffectiveness:

- The interest rate change effect of the variable interest rates in the hedging derivative reveals a fluctuation within the set periods (usually 1, 3 or 6 months) depending on the reference interest rates.
- CVA/DVA effects are only found in the hedging investments and therefore cannot be hedged.
- Base effects from cross currency interest rate swaps are also only seen in the corresponding hedging investments, resulting in inefficiencies because they are not included in the underlying transactions.
- Furthermore, according to the table above, there are some minor differences in the hedged interest rates that may result in insignificant inefficiencies.

(11) Foreign exchange result

The foreign exchange result is generally balanced at the Bank as currency risks are normally eliminated. Temporary and minor inefficiencies in this process result in a low foreign exchange result.

As at 30 June 2019 this was € 51,000 (30 June 2018: € 143,000).

(12) Administrative expenses

The administrative expenses comprise staff expenses and other administrative expenses:

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Staff expenses	**-9,283**	**-10,268**	**-10**
Wages and salaries	-8,064	-8,983	-10
Social insurance contributions	-734	-733	0
Expenditure on pension schemes and other benefits	-445	-469	-5
Other staff expenses	-39	-84	-53
Other administrative expenses	**-5,439**	**-7,608**	**-29**
Costs for IT and communications	-2,969	-3,739	-21
Building occupancy costs	-260	-279	-7
Expenses for marketing, communications and entertainment	-44	-78	-44
Personnel-related material expenses	-89	-305	-71
Costs for legal, auditing, appraisal and consulting services	-595	-1,746	-66
Levies and contributions	-511	-406	26
Expenses for operating and office equipment	-20	-3	> 100
Other administrative expenses	-951	-1,052	-10
Total	**-14,722**	**-17,876**	**-18**

(13) Current amortisation and depreciation

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Property and equipment	-1,324	-812	63
Intangible assets	-664	-488	36
Total	**-1,988**	**-1,300**	**53**

(14) Other operating profit/loss

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Other operating income	**783**	**2.611**	**-70**
Rental income from investment properties	379	354	7
Income from the reversal of provisions	397	166	> 100
Other operating income	7	2.092	-100
Other operating expenses	**-11.251**	**-7.413**	**52**
Expenses from the bank levy	-6.137	-5.390	14
Other taxes	-2.424	-16	> 100
Expenses from allocations to provisions	-116	-74	56
Other operating expenses	-2.574	-1.932	33
Total	**-10.468**	**-4.802**	**> 100**

The other operating expenses essentially consist of expenses for the Group cost allocation in the amount of € 2.1 million (previous year: € 1.7 million).

The item other taxes shows the expenses from the property tax in the amount of € 2.4 million.

(15) 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.

	01.01.2019-30.06.2019 (in € thousand)	01.01.2018-30.06.2018 (in € thousand)	Change (in %)
Current taxes on income and earnings	-3,137	0	> 100
Deferred taxes	0	4,509	-100
Total	**-3,137**	**4,509**	**< -100**

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

This item contains NORD/LB CBB’s trading assets as well as the financial assets mandatorily measured at fair value through profit or loss.

The Bank's trading activities comprise trading in loans, debt securities and other fixed-interest securities as well as other derivative financial instruments not used for hedging purposes. The category of financial assets mandatorily measured at fair value includes the other financial instruments measured at fair value through profit or loss owing to the cash flow or business model criterion in accordance with IFRS 9, and are allocated to the “Other” portfolio under IFRS 9.

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Trading assets	**195.8**	**191.2**	**2**
Positive fair values from derivatives			
Interest-rate risks	58.1	35.6	63
Currency risks	104.5	101.8	3
Loans and advances to customers	33.2	53.7	-38
Financial assets mandatorily at fair value through profit or loss	**956.1**	**1,042.3**	**-8**
Debt securities and other fixed-interest securities	943.7	1,029.9	-8
Loans and advances to banks	12.4	12.4	0
Total	**1,151.9**	**1,233.5**	**23**

As at 30 June 2019, the Bank had no equity instruments or any assets designated at fair value through profit or loss. NORD/LB CBB does not have any credit derivatives or similar financial instruments in its portfolios either.

(17) Financial assets at fair value directly in equity

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Debt securities and other fixed-interest securities	1,988.8	2,101.7	-5
Total	**1,988.8**	**2,101.7**	**-5**

Note (29) Loan loss provisions and gross carrying amount presents the changes to loan loss provisions in this item.

(18) Financial assets at amortised cost

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Debt securities and other fixed-interest securities	1,797.2	1,765.8	2
Loans and advances to banks	1,318.4	1,966.4	-33
Loans and advances to customers	9,806.1	9,370.8	5
Total	**12,921.7**	**13,103.0**	**-1**

The increase in loans and advances to customers was based on the growth in new loans during the reporting period. Note (29) Loan loss provisions and gross carrying amount presents the changes to loan loss provisions in this item.

(19) Property and equipment

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Land and buildings	61.0	61.3	0
Operating and office equipment	2.3	2.8	-17
Right of use assets from leasing	2.3	0.0	> 100
Total	**65.6**	**64.2**	**2**

(20) Intangible assets

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Software	10.8	11.1	-2
Purchased	10.8	11.1	-2
Payments on account and intangible assets under development	19.5	15.9	23
Total	**30.3**	**27.0**	**12**

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

(21) Other assets

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Tax assets from other taxes	0.4	0.0	> 100
Deferred income	2.0	0.9	> 100
Receivables from intra-Group service charging	1.7	2.0	-13
Other assets	0.1	0.1	12
Total	**4.3**	**3.0**	**42**

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

This item includes trading liabilities and financial liabilities designated at fair value through profit or loss.

The trading liabilities comprise negative fair values from derivative financial instruments that are not employed in hedge accounting; only securitised liabilities are found in the category of financial liabilities designated at fair value through profit or loss.

	31.12.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Trading liabilities	**111.2**	**81.1**	**37**
Negative fair values from derivatives			
Interest-rate risks	81.0	53.2	52
Currency risks	30.2	27.9	8
Financial liabilities designated at fair value through profit or loss	**1,552.8**	**1,634.1**	**-5**
Securitised liabilities	1,552.8	1,634.1	-5
Total	**1,664.0**	**1,715.2**	**-3**

Only securitised liabilities are used as financial liabilities designated at fair value through profit or loss. They are designated on the basis of mismatches in measurement and recognition (“accounting mismatches”) arising from the portfolio of “financial assets mandatorily at fair value through profit or loss”. The designation criterion is essentially based on the volume and interest sensitivity of the portfolio of "financial assets mandatorily at fair value through profit or loss" for the best possible reduction of accounting anomalies.

(23) Financial liabilities at amortised cost

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Deposits	**9,390.0**	**10,491.5**	**-10**
Deposits of banks	5,987.9	5,942.4	1
Deposits of customers	3,402.1	4,549.1	-25
Securitised liabilities	**4,188.5**	**3,828.9**	**9**
Pfandbriefe	1,852.6	1,343.5	38
Other securitised liabilities	2,335.9	2,485.4	-6
Total	**13,578.5**	**14,320.4**	**-5**

(24) Provisions

Provisions are broken down as follows:

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Provisions for pensions and similar obligations	**3.3**	**3.3**	**0**
Other provisions	**5.5**	**6.4**	**-14**
Provisions for staff	0.4	0.8	-44
Provisions in lending business	0.8	1.1	-27
Provisions for reorganisation measures	4.3	4.6	-6
Total	**8.9**	**9.8**	**-9**

Provisions for reorganisation measures mainly relate to obligations towards employees in connection with a current restructuring project undertaken as part of a Group-wide transformation programme for the purpose of boosting efficiency.

NORD/LB CBB has not recalculated its provisions for pensions as at 30 June 2019. The applicable discount rate for pension provisions decreased as at the reporting date to 2.20 per cent from 1.55 per cent previously. A sensitivity analysis performed on this change shows that it results in an increase of about € 541,000 in the provisions for pensions. The primary portion of this deduction is booked directly against equity and is not entered in the income statement for the period. The Bank decided against changing the provisions for pensions because the increase was immaterial.

Given the short duration of the reorganisation and other provisions, and in connection with the generally low level of interest rates, the provisions are not discounted.

(25) Other liabilities

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Liabilities from short-term employee remuneration	1.9	1.6	22
Liabilities from accruals and other provisions	5.4	5.0	8
Liabilities from payable taxes and social insurance contributions	6.4	3.7	73
Deferred income	1.4	1.6	-8
Liabilities from leases	2.3	0.0	> 100
Other liabilities	1.4	1.8	-20
Total	**18.9**	**13.6**	**39**

Liabilities from short-term employee remuneration largely comprise residual holiday entitlements. As at the reporting date, other liabilities essentially contains liabilities from TVA.

(26) Equity

Breakdown of equity:

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Issued capital	205.0	205.0	-
Retained earnings	463.1	455.5	2
Other comprehensive income (OCI)	33.9	20.8	63
Of which: own credit-risk adjustment (OCA)	-4.3	-3.5	22
of these: assets at fair value directly in equity	39.8	26.0	53
Of which: revaluation of net liability from pensions	-1.6	-1.6	1
Total	**702.0**	**681.4**	**3**

Other disclosures

(27) Notes to financial instruments

Financial instruments recognised at fair value on the balance sheet

NORD/LB CBB applies the three-level fair value hierarchy using the Level 1 (mark-to-market), Level 2 (mark-to-matrix) and Level 3 (mark-to-model) terminology set out in IFRS 13.

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

Level 1

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. Quotes from other banks or market makers are applied whenever observable sources of prices other than exchanges are used. These instruments are then allocated to Level 1 if there is an active market for these quotes, i.e. the bid-ask spread is low and there are multiple price suppliers with very little difference in their prices.

If the quotations are for (mixed) prices or if the price is set on an inactive market, the instruments are not assigned to Level 1 but to Level 2 of the fair value hierarchy, provided the quotations relate to binding offers, observable prices or market transactions. Level 1 prices are used without any adjustment.

Level 1 financial instruments at NORD/LB CBB include financial assets mandatorily measured at fair value through profit or loss or directly in equity, financial liabilities designated at fair value through profit or loss, and financial assets and liabilities at amortised cost.

Level 2

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 largely by means of observable input data, such as spread curves (Level 2). To measure financial instruments in these situations, measurement models are used that are widely recognised on the market under normal market conditions (e.g. the discounted cash flow method and the Hull & White model for options) and the calculations of which are fundamentally based on inputs available on an active 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 market 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 market approach is always selected for necessary model parameterisations. In the case of asset-side securities for which there is no active market and for which market prices can no longer be used, fair value for measurement purposes is determined on the basis of discounted cash flows. With the discounted cash flow method, all payments are discounted using the risk-free interest rate curve adjusted by the credit spread. Spreads are determined based on comparable financial instruments (for example, taking account of the respective market segment and the issuer's credit rating). The financial instruments at NORD/LB Group to be measured in this manner are identified on the basis of individual securities and a subsequent separation into active and inactive markets.

Changes in market assessments are consistently included in the measurement. Several divisions within the Group 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 for which there are no quoted prices on active markets is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, other components, such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, hedge accounting derivatives under assets and equity/liabilities, assets mandatorily measured at fair value through profit or loss and directly in equity, financial liabilities designated at fair value through profit or loss, as well as financial assets and liabilities measured at amortised cost.

Level 3

Financial instruments for which there is no active market and which cannot be measured completely based on observable market parameters are allocated to Level 3. In comparison and in differentiation to Level 2 measurement, the Level 3 valuation generally uses both institution-specific models and standard discounted cash flow models as well as data which are not observable on the market. The inputs used in these methods include, among other things, assumptions about cash flows, loss estimates and the discount rate, and are determined as far as possible on a near-market basis. Loans designated for syndication are assigned to Level 3.

Financial instruments classified in Level 3 include financial assets and liabilities measured at amortised cost. The fair value of these financial instruments is only determined for disclosure purposes.

There were no Level 3 securities in the Bank's portfolio as at 30 June 2019.

Fair value calculation

All measurement models applied in the Group are reviewed periodically. The fair values are subject to internal controls and processes at the NORD/LB Group. These controls and processes are carried out in and coordinated by the Finance and Risk Control divisions. The models, the data used in them and the resulting fair values are regularly reviewed. All relevant factors are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty risk and business-typical discounting factors. In the context of the bid-ask spread, the measurement is generally carried out using the average price or average quote. 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. In addition, Level 3 methodology is used to determine fair values for all of the Bank's loans.

The counterparty risk (Credit Value Adjustment (CVA)/Debit Value Adjustment (DVA)) is determined on the basis of the net risk position as per IFRS 13.48. The CVA/DVA is allocated to individual transactions in the balance sheet using the relative credit-adjustment approach.

There are generally no quoted prices available for OTC market derivatives, so the fair value must be calculated using other measurement methods. The measurement is first carried out using cash flow models without taking account of the credit default risk. For a correct fair value measurement, both the counterparty credit default risk (CVA) and our own credit default risk (DVA) must be taken into account. This is performed by means of an add-on process. The NORD/LB Group primarily measures secured OTC derivatives in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are now discounted using the OIS interest rate curve rather than the term-specific interest rate. Unsecured derivatives continue to be discounted in accordance with the term-specific interest rate to establish their fair value.

Given the non-material effect, no funding valuation adjustment (FVA) is considered.

Level transfer

Level allocations of all securities in the portfolio at NORD/LB CBB are reviewed on a quarterly basis. Publicly quoted stock exchange prices and prices actually traded on the over-the-counter (OTC) market are used and analysed with the help of external information sources. The criteria for level allocation were described in the previous sections.

If a security does not continue to meet the criteria for its level allocation, it is reclassified.

The level allocations and any effects on reporting are also taken into consideration on a quarterly basis.

Please refer to the Note ((28) Fair value of financial instruments) for the level allocation and the presentation of level transfers.

Financial instruments reported at fair value for disclosure purposes

In principle, the same requirements for the determination of fair value apply for financial instruments for which fair value is calculated purely for disclosure purposes as for those for which the fair value is reported in the balance sheet. These financial instruments include, for example, cash reserves, assets and liabilities to and from banks and customers, certain bonds as well as securitised liabilities.

For the cash reserve and short-term assets and liabilities to and from banks and customers (demand deposits), the nominal value is viewed as fair value due to their short-term nature.

In practice, several valuation techniques are used for securities and liabilities (e.g. market or comparative prices, or measurement models), similar to the recognition of financial instruments in the balance sheet at fair value. In general, however, a discounted cash flow model is used. A risk-free yield curve is often used for appraisals in this valuation model. Where applicable, this rate is adjusted for risk premiums and other components. For liabilities, NORD/LB CBB's own credit default risk is taken as the risk premium. A corresponding level allocation within the existing fair-value hierarchy is performed depending on the significance of the input data.

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

Given that the fair values for the afore-mentioned assets and liabilities are only used for reporting purposes, the level allocation is not subject to regular revision.

(28) Fair value hierarchy

The fair values of financial assets and their breakdown according to the fair value hierarchy are presented in the following table with the carrying amounts:

in € million	30.06.2019					
	Level 1	**Level 2**	**Level 3**	**Fair value total**	**Carrying amount**	**Difference**
Assets						
Cash reserve	**12.8**	**0.0**	**0.0**	**12.8**	**12.8**	**0.0**
Trading assets	**0.0**	**195.8**	**0.0**	**195.8**	**195.8**	**0.0**
Positive fair values from derivatives	0.0	162.6	0.0	162.6	162.6	0.0
Interest-rate risks	0.0	58.1	0.0	58.1	58.1	0.0
Currency risks	0.0	104.5	0.0	104.5	104.5	0.0
Financial assets mandatorily at fair value through profit or loss	0.0	33.2	0.0	33.2	33.2	0.0
Debt securities and other fixed-interest securities	**922.4**	**33.7**	**0.0**	**956.1**	**956.1**	**0.0**
Loans and advances	922.4	21.3	0.0	943.7	943.7	0.0
Financial assets at fair value through profit or loss	0.0	12.4	0.0	12.4	12.4	0.0
Financial assets at fair value directly in equity	**1,582.1**	**406.7**	**0.0**	**1,988.8**	**1,988.8**	**0.0**
Debt securities and other fixed-interest securities	1,582.1	406.7	0.0	1,988.8	1,988.8	0.0
Financial assets at amortised cost	**636.6**	**1,488.2**	**10,890.7**	**13,015.6**	**12,921.7**	**93.9**
Debt securities and other fixed-interest securities	161.0	1,484.8	0.0	1,645.8	1,797.2	-151.3
Loans and advances	475.6	3.4	10,890.7	11,369.7	11,124.5	245.2
Positive fair values from hedge accounting derivatives	**0.0**	**327.5**	**0.0**	**327.5**	**327.5**	**0.0**
Interest-rate risks	0.0	302.2	0.0	302.2	302.2	0.0
Currency risks	0.0	25.2	0.0	25.2	25.2	0.0
Total	**3,154.0**	**2,451.9**	**10,890.7**	**16,496.6**	**16,402.8**	**93.9**

in € million	31.12.2018					
	Level 1	Level 2	Level 3	Fair value total	Carrying amount	Difference
Assets						
Cash reserve	**443.4**	**0.0**	**0.0**	**443.4**	**443.4**	**0.0**
Trading assets	**0.0**	**191.2**	**0.0**	**191.2**	**191.2**	**0.0**
Positive fair values from derivatives	0.0	137.5	0.0	137.5	137.5	0.0
Interest-rate risks	0.0	35.6	0.0	35.6	35.6	0.0
Currency risks	0.0	101.8	0.0	101.8	101.8	0.0
Financial assets mandatorily at fair value through profit or loss	**982.9**	**59.5**	**0.0**	**1,042.3**	**1,042.3**	**0.0**
Debt securities and other fixed-interest securities	982.9	47.1	0.0	1,029.9	1,029.9	0.0
Loans and advances	0.0	12.4	0.0	12.4	12.4	0.0
Financial assets at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets at fair value directly in equity	**1,618.3**	**483.4**	**0.0**	**2,101.7**	**2,101.7**	**0.0**
Debt securities and other fixed-interest securities	1,618.3	483.4	0.0	2,101.7	2,101.7	0.0
Financial assets at amortised cost	**495.7**	**1,534.5**	**11,120.2**	**13,150.4**	**13,103.0**	**47.4**
Debt securities and other fixed-interest securities	84.9	1,530.9	0.0	1,615.8	1,765.8	-150.0
Loans and advances	410.7	3.6	11,120.2	11,534.6	11,337.1	197.4
Positive fair values from hedge accounting derivatives	**0.0**	**218.8**	**0.0**	**218.8**	**218.8**	**0.0**
Interest-rate risks	0.0	197.4	0.0	197.4	197.4	0.0
Currency risks	0.0	21.4	0.0	21.4	21.4	0.0
Total	**3,540.3**	**2,487.3**	**11,120.2**	**17,147.8**	**17,100.3**	**47.4**

The fair values of financial liabilities and their breakdown according to the fair value hierarchy are presented in the following table with the carrying amounts:

in € million	30.06.2019					
	Level 1	Level 2	Level 3	Fair value total	Carrying amount	Difference
Liabilities						
Trading liabilities	**0.0**	**111.2**	**0.0**	**111.2**	**111.2**	**0.0**
Negative fair values from derivatives	0.0	111.2	0.0	111.2	111.2	0.0
Interest-rate risks	0.0	81.0	0.0	81.0	81.0	0.0
Currency risks	0.0	30.2	0.0	30.2	30.2	0.0
Financial liabilities designated at fair value through profit or loss	**1,094.3**	**458.5**	**0.0**	**1,552.8**	**1,552.8**	**0.0**
Securitised liabilities	1,094.3	458.5	0.0	1,552.8	1,552.8	0.0
Financial liabilities at amortised cost	**2,358.4**	**4,459.0**	**7,035.6**	**13,852.9**	**13,578.5**	**274.5**
Deposits	838.2	1,763.7	7,035.6	9,637.4	9,390.0	247.5
Securitised liabilities	1,520.3	2,695.3	0.0	4,215.5	4,188.5	27.0
Negative fair values from hedge accounting derivatives	**0.0**	**515.5**	**0.0**	**515.5**	**515.5**	**0.0**
Interest-rate risks	0.0	429.4	0.0	429.4	429.4	0.0
Currency risks	0.0	86.1	0.0	86.1	86.1	0.0
Total	**3,452.7**	**5,544.1**	**7,035.6**	**16,032.4**	**15,757.9**	**274.5**

in € million	31.12.2018 Level 1	Level 2	Level 3	Fair value total	Carrying amount	Difference
Liabilities						
Trading liabilities	**0.0**	**81.1**	**0.0**	**81.1**	**81.1**	**0.0**
Negative fair values from derivatives	0.0	81.1	0.0	81.1	81.1	0.0
Interest-rate risks	0.0	53.2	0.0	53.2	53.2	0.0
Currency risks	0.0	27.9	0.0	27.9	27.9	0.0
Financial liabilities designated at fair value through profit or loss	**1,081.9**	**552.3**	**0.0**	**1,634.1**	**1,634.1**	**0.0**
Securitised liabilities	1,081.9	552.3	0.0	1,634.1	1,634.1	0.0
Financial liabilities at amortised cost	**1,887.2**	**4,490.3**	**8,127.3**	**14,504.8**	**14,320.4**	**184.4**
Deposits	880.9	1,650.7	8,127.3	10,658.9	10,491.5	167.4
Securitised liabilities	1,006.4	2,839.5	0.0	3,845.9	3,828.9	17.0
Negative fair values from hedge accounting derivatives	**0.0**	**438.5**	**0.0**	**438.5**	**438.5**	**0.0**
Interest-rate risks	0.0	365.7	0.0	365.7	365.7	0.0
Currency risks	0.0	72.9	0.0	72.9	72.9	0.0
Total	**2,969.1**	**5,562.1**	**8,127.3**	**16,658.5**	**16,474.1**	**184.4**

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 hidden liabilities (after risk provisioning) on debt securities and other fixed-interest securities amounting to € 151.4 million increased by € 1.4 million compared with the previous year (€ 150.0 million).

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

In the reporting period, transfers within the fair-value hierarchy were as follows:

01.01.2019 – 30.06.2019 (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
Financial assets at fair value directly in equity	**30.1**	**0.0**	**125.2**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	30.1	0.0	125.2	0.0	0.0	0.0

In the reporting period, four financial assets at fair value directly in equity in the form of debt securities changed from Level 2 to Level 1 due to improved liquidity, whereas one debt security changed from Level 1 to Level 2 due to worsened liquidity. Transfers between levels were made for approximately 1 per cent of NORD/LB CBB's total portfolio of securities.

The following level transfers took place in the financial year 2018:

01.01.2018 - 31.12.2018 (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
Financial assets at fair value directly in equity	**0.0**	**0.0**	**106.2**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	106.2	0.0	0.0	0.0

(29) Loan loss provisions and gross carrying amount

A new model (three-level model) was introduced with IFRS 9 to assess loan loss provisions. For financial assets and off-balance sheet liabilities where the credit risk has not risen significantly as at the reporting date compared to the date of initial recognition, loan loss provisions are recorded at the amount of the expected loss for the next 12 months (Level 1). If the credit risk is significantly higher as at the reporting date compared to the date of initial recognition, the loan loss provision amounts to the expected loss for the remaining term of the financial assets and the off-balance sheet liabilities (Level 2). A loan loss provision amounting to the expected loss for the remaining term of the financial assets and off-balance sheet liabilities is also recorded if there is a significant increase in the credit risk as at the reporting date compared to the date of initial recognition and impairment has been recorded (Level 3).

The following table presents the changes in loan loss provisions over the reporting period for financial assets not at fair value through profit or loss and for off-balance items. First of all the loan loss provisions including carrying amounts are presented, aggregated at the levels defined in accordance with IFRS 9. This is followed by details on the classification methodology and level allocations:

in € million	Gross carrying amount 30.06.2019	Gross carrying amount 31.12.2018
Level 1	14,294.2	15,028.1
Level 2	625.1	619.9
Level 3	12.8	10.7
Total	**14,932.1**	**15,658.6**

in € million	Loan loss provisions 30.06.2019	Loan loss provisions 31.12.2018
Level 1	3.1	3.7
Level 2	5.9	7.1
Level 3	0.6	0.8
Total	**9.6**	**11.6**

in € million	Opening balance as at 01.01. 2019	Transfer			Allocation		Reversal			Other changes					Closing balance as at 30.06. 2019
		to Level 1	to Level 2	to Level 3	Allocation due to credit ratings	Additions to assets	Reversals due to credit ratings	Use	Disposals from assets	Modifications to assets	Unwinding	Model and parameter changes	Currency conversions	Other changes	
Loan loss provisions for financial assets at fair value directly in equity															
Assets with no significant increase in credit risk (Level 1)	**0.1**	**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**	**0.1**
Debt securities and other fixed-interest securities	0.1	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	0.1
Total	**0.1**	**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**	**0.1**

in € million	Opening balance as at 01.01. 2019	Transfer to Level 1	Transfer to Level 2	Transfer to Level 3	Allocation: Allocation due to credit ratings	Allocation: Additions to assets	Reversal: Reversals due to credit ratings	Reversal: Use	Reversal: Disposals from assets	Other changes: Modifications to assets	Other changes: Unwinding	Other changes: Model and parameter changes	Other changes: Currency conversions	Other changes: Other changes	Closing balance as at 30.06. 2019
Loan loss provisions for financial assets at amortised cost															
Assets with no significant increase in credit risk (Level 1)	**3.4**	**0.7**	**-0.1**	**0.0**	**0.3**	**0.2**	**1.6**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.7**
Debt securities and other fixed-interest securities	0.2	0.6	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Loans and advances	3.1	0.0	-0.1	0.0	0.2	0.2	1.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	2.4
Assets with significant increase in credit risk, not impaired (Level 2)	**6.8**	**-0.7**	**0.1**	**0.0**	**0.0**	**0.0**	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5.8**
Debt securities and other fixed-interest securities	6.7	-0.6	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.7
Loans and advances	0.1	0.0	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Assets with significant increase in credit risk, impaired (Level 3)	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**
Loans and advances	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total	**10.5**	**0.0**	**0.0**	**0.0**	**0.3**	**0.2**	**2.0**	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**8.7**
Total	**10.6**	**0.0**	**0.0**	**0.0**	**0.3**	**0.2**	**2.0**	**0.2**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**8.8**

in € million	Opening balance as at 01.01.2019	Transfer			Allocation		Reversal			Other changes					Closing balance as at 30.06.2019
		to Level 1	to Level 2	to Level 3	Allocation due to credit ratings	Additions to assets	Reversals due to credit ratings	Use	Disposals from assets	Modifications to assets	Unwinding	Model and parameter changes	Currency conversions	Other changes	
Loan loss provisions for loan commitments, financial guarantees and other off-balance sheet liabilities															
Off-balance sheet items with no significant increase in credit risk (Level 1)	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**
Loan commitments	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Financial guarantees	0.1	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
Off-balance sheet items with significant increase in credit risk, not impaired (Level 2)	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
Loan commitments	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial guarantees	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Off-balance sheet items with significant increase in credit risk, impaired (Level 3)	**0.4**	**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**	**0.4**
Financial guarantees	0.4	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	0.4
Total	**1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.8**

The following overview presents the changes to gross carrying amounts over the reporting period for financial assets not at fair value through profit or loss.

in € million	Opening balance as at 01.01. 2019	Transfer to Level 1	Transfer to Level 2	Transfer to Level 3	Additions to assets	Disposals from assets	Direct write-downs of assets	Other changes: Modifications to assets	Other changes: Currency conversions	Other changes: Other changes	Closing balance as at 30.06. 2019
Gross carrying amount for financial assets at fair value directly in equity											
Assets with no significant increase in credit risk (Level 1)	**2,101.8**	**0.0**	**0.0**	**0.0**	**154.9**	**269.9**	**0.0**	**0.0**	**2.1**	**0.0**	**1,988.9**
Debt securities and other fixed-interest securities	2,101.8	0.0	0.0	0.0	154.9	269.9	0.0	0.0	2.1	0.0	1,988.9
Total	**2,101.8**	**0.0**	**0.0**	**0.0**	**154.9**	**269.9**	**0.0**	**0.0**	**2.1**	**0.0**	**1,988.9**
Gross carrying amount for financial assets at amortised cost											
Assets with no significant increase in credit risk (Level 1)	**12,926.3**	**94.7**	**-85.1**	**-10.1**	**3,733.8**	**4,378.6**	**0.0**	**0.0**	**24.4**	**0.0**	**12,305.3**
Debt securities and other fixed-interest securities	1,255.6	59.6	0.0	0.0	48.5	53.0	0.0	0.0	12.7	0.0	1,323.4
Loans and advances	11,227.3	35.2	-85.1	-10.1	3,685.2	3,889.0	0.0	0.0	5.6	0.0	10,969.1
Cash reserve	443.4	0.0	0.0	0.0	0.0	436.6	0.0	0.0	6.1	0.0	12.8
Assets with significant increase in credit risk, not impaired (Level 2)	**619.9**	**-94.7**	**85.1**	**0.0**	**27.1**	**14.2**	**0.0**	**0.0**	**1.9**	**0.0**	**625.1**
Debt securities and other fixed-interest securities	517.1	-59.6	0.0	0.0	23.4	2.8	0.0	0.0	1.6	0.0	479.7
Loans and advances	102.7	-35.2	85.1	0.0	3.7	11.3	0.0	0.0	0.3	0.0	145.3
Assets with significant increase in credit risk, impaired (Level 3)	**10.7**	**0.0**	**0.0**	**10.1**	**0.0**	**8.0**	**0.0**	**0.0**	**0.0**	**0.0**	**12.8**
Loans and advances	10.7	0.0	0.0	10.1	0.0	8.0	0.0	0.0	0.0	0.0	12.8
Total	**13,556.8**	**0.0**	**0.0**	**0.0**	**3,761.0**	**4,400.8**	**0.0**	**0.0**	**26.3**	**0.0**	**12,943.3**
Total	**15,658.6**	**0.0**	**0.0**	**0.0**	**3,915.8**	**4,670.6**	**0.0**	**0.0**	**28.3**	**0.0**	**14,932.1**

(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 at the end of the first half of 2019 and at 31 December 2018 are shown in the following table:

30.06.2019 (in € million)	Gross amount before offsetting	Amount of offsetting	Net amount after offsetting	Master netting arrangements and similar arrangements without offsetting			Net amount
				Of which: financial instruments	Collateral		
					Securities as collateral	Cash collateral	
Assets	**737.8**	**0.0**	**737.8**	**-515.8**	**0.0**	**-221.7**	**0.3**
Derivatives	487.8	0.0	487.8	-265.8	0.0	-221.7	0.3
Securities lending and repurchase transactions	250.0	0.0	250.0	-250.0	0.0	0.0	0.0
Liabilities	**2,158.8**	**0.0**	**2,158.8**	**-515.8**	**-1,281.6**	**-359.6**	**1.8**
Derivatives	626.4	0.0	626.4	-265.8	0.0	-359.6	0.9
Securities lending and repurchase transactions	1,532.4	0.0	1,532.4	-250.0	-1,281.6	0.0	0.8

31.12.2018 (in € million)	Gross amount before offsetting	Amount of offsetting	Net amount after offsetting	Master netting arrangements and similar arrangements without offsetting			Net amount
				Of which: financial instruments	Collateral		
					Securities as collateral	Cash collateral	
Assets	**603.8**	**0.0**	**603.8**	**-439.3**	**0.0**	**-164.2**	**0.3**
Derivatives	353.8	0.0	353.8	-189.3	0.0	-164.2	0.3
Securities lending and repurchase transactions	250.0	0.0	250.0	-250.0	0.0	0.0	0.0
Liabilities	**1,738.5**	**0.0**	**1,738.5**	**-439.3**	**-967.1**	**-323.2**	**8.9**
Derivatives	518.7	0.0	518.7	-189.3	0.0	-323.2	6.2
Securities lending and repurchase transactions	1,219.8	0.0	1,219.8	-250.0	-967.1	0.0	2.7

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

(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 primarily concluded in the form of forward currency transactions, currency swaps and interest-and-currency swaps. Interest rate derivatives consist primarily of interest rate swaps.

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

In € million	Nominal values on 30.06.2019	Nominal values on 31.12.2018	Positive market values on 30.06.2019	Positive market values on 31.12.2018	Negative market values on 30.06.2019	Negative market values on 31.12.2018
Interest-rate risks	**6,749.8**	**6,825.1**	**360.4**	**233.0**	**510.3**	**418.8**

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 the 2014 financial year. 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.

	30.06.2019 (in € million)	31.12.2018 (in € million)
Total risk exposure amount	**4,209.1**	**4,443.1**
Capital requirements for credit risk	325.0	340.5
Capital requirements for operational risks	11.1	14.1
Capital requirements for market risks	0.0	0.0
Capital requirements for loan amount adjustments	0.6	0.9
Capital requirements	**336.7**	**355.4**

Regulatory capital

	30.06.2019 (in € million)	31.12.2018 (in € million)
Issued capital	205.0	205.0
Other reserves	451.8	449.3
Other components of CET 1 capital	33.9	-5.1
- Deductible items	-36.2	-41.3
Common Equity Tier 1 capital	**654.5**	**613.1**
Components of additional Tier 1 capital	0.0	0.0
Additional Tier 1 capital	**0.0**	**0.0**
Tier 1 capital	**654.5**	**613.1**
Paid-up instruments of Tier 2 capital	0.0	0.0
Eligible provisions in excess of expected losses under the IRB approach	0.2	0.3
Tier 2 capital	**0.2**	**0.3**
Own funds	**654.7**	**613.3**

Minimum capital ratios

Both in the reporting period 2019 and in 2018 NORD/LB CBB complied with the regulatory minimum capital ratios at all times.

	30.06.2019 (in %)	31.12.2018 (in %)
Common equity tier 1 capital ratio	15.6%	13.8%
Tier 1 capital ratio	15.6%	13.8%
Total capital ratio	15.6%	13.8%

(33) Contingent liabilities and other obligations

	30.06.2019 (in € million)	31.12.2018 (in € million)	Change (in %)
Contingent liabilities	**94.4**	**151.2**	**-38**
Liabilities arising from guarantees and indemnity agreements	94.4	151.2	-38
Other liabilities	**1,705.5**	**2,088.8**	**-18**
Irrevocable loan commitments	1,705.5	2,088.8	-18
Total	**1,799.9**	**2,240.1**	**-20**

(34) Subsequent events

No significant events occurred between the balance sheet date of 30 June 2019 and the preparation of these financial statements by the Managing Board on 5 September 2019.

Regarding the still existing assumption about the continuation of business activities, reference is made to Note (0 Accounting policies

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(35) Related parties

NORD/LB (parent company of NORD/LB CBB) and Companies in accordance with IAS 24.9 (b) are classified as related legal entities.

Natural persons who are considered to be related parties in accordance with IAS 24 are members of the Managing Board and Supervisory Board of NORD/LB CBB, the members of the NORD/LB Managing Board as the Group parent company, and close family members.

The natural persons described above (key positions at Bank) and shareholders of the parent company (key positions at parent company) are considered to be in key positions.

Transactions and collateral agreements are completed with related parties at normal market terms and conditions in the ordinary course of business. These transactions are subject to monitoring by the Bank in line with market conditions.

Information on the volume of transactions with related parties in the reporting and comparison periods can be found below. Changes in the group of related parties led to adjustments of the previous year's figures where necessary:

30.06.2019 **(in € million)**	**Parent company and businesses under common control or significant influence**	**Subsidiaries and other companies of the same group**	**Associated companies and joint ventures**	**Key positions at the Bank or the parent company**
Assets				
Trading assets	**119.6**	**0.0**	**0.0**	**0.0**
Derivatives	119.6	0.0	0.0	0.0
Financial assets mandatorily designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**40.1**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	40.1
Financial assets at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets at fair value directly in equity	**6.2**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	6.2	0.0	0.0	0.0
Financial assets at amortised cost	**153.0**	**0.0**	**24.4**	**0.0**
Loans and advances	153.0	0.0	24.4	0.0
Positive fair values from hedge accounting derivatives	**314.9**	**0.0**	**0.0**	**0.0**
Other assets	**1.7**	**0.0**	**0.0**	**0.0**
Total	**589.2**	**0.0**	**24.4**	**40.1**

31.12.2018 (in € million)	Parent company and businesses under common control or significant influence	Subsidiaries and other companies of the same group	Associated companies and joint ventures	Key positions at the Bank or the parent company
Assets				
Trading assets	**103.3**	**0.0**	**0.0**	**0.0**
Derivatives	103.3	0.0	0.0	0.0
Financial assets mandatorily designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**40.2**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	40.2
Financial assets at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets at fair value directly in equity	**6.2**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	6.2	0.0	0.0	0.0
Financial assets at amortised cost	**440.7**	**0.0**	**25.1**	**0.0**
Loans and advances	440.7	0.0	25.1	0.0
Positive fair values from hedge accounting derivatives	**207.8**	**0.0**	**0.0**	**0.0**
Other assets	**2.0**	**0.0**	**0.0**	**0.0**
Total	**760.0**	**0.0**	**25.1**	**40.2**

30.06.2019 (in € million)	Parent company and businesses under common control or significant influence	Subsidiaries and other companies of the same group	Associated companies and joint ventures	Key positions at Bank or parent company
Liabilities				
Trading liabilities	**78.1**	**0.0**	**0.0**	**0.0**
Derivatives	78.1	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**467.1**	**0.0**	**0.0**	**0.0**
Securitised liabilities	467.1	0.0	0.0	0.0
Financial liabilities at amortised cost	**4,162.3**	**10.1**	**40.5**	**0.0**
Deposits	1,826.9	0.0	40.5	0.0
Securitised liabilities	2,335.4	10.1	0.0	0.0
Negative fair values from hedge accounting derivatives	**163.1**	**0.0**	**0.0**	**0.0**
Other liabilities	**2.1**	**0.0**	**0.0**	**1.9**
Total	**4,872.7**	**10.1**	**40.5**	**1.9**
Guarantees/sureties received	5,278.1	0.0	0.0	0.0
Guarantees/sureties granted	0.0	0.0	0.0	0.0

31.12.2018 (in € million)	Parent company and businesses under common control or significant influence	Subsidiaries and other companies of the same group	Associated companies and joint ventures	Key positions at Bank or parent company
Liabilities				
Trading liabilities	**59.5**	**0.0**	**0.0**	**0.0**
Derivatives	59.5	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**552.3**	**0.0**	**0.0**	**0.0**
Securitised liabilities	552.3	0.0	0.0	0.0
Financial liabilities at amortised cost	**4,436.4**	**10.0**	**41.3**	**0.0**
Deposits	1,954.6	0.0	41.3	0.0
Securitised liabilities	2,481.8	10.0	0.0	0.0
Negative fair values from hedge accounting derivatives	**143.8**	**0.0**	**0.0**	**0.0**
Other liabilities	**0.4**	**0.0**	**0.0**	**1.9**
Total	**5,192.5**	**10.0**	**41.3**	**1.9**
Guarantees/sureties received	4,941.1	0.0	0.0	0.0
Guarantees/sureties granted	0.0	0.0	0.0	0.0

01.01.2019 - 30.06.2019 (in € thousand)	Parent company and businesses under common control or significant influence	Subsidiaries and other companies of the same group	Associated companies and joint ventures	Key positions at Bank or parent company
Interest income	39,360	0	310	25
Interest expenses	80,456	12	459	0
Commission income	3,073	2	95	0
Commission expenses	39,360	0	690	0
Other income and expenses	58,350	0	-364	-106
Total	**-9,333**	**-14**	**-1,108**	**-81**

01.01.2018 - 30.06.2018 (in € thousand)	Parent company and businesses under common control or significant influence	Subsidiaries and other companies of the same group	Associated companies and joint ventures	Key positions at Bank or parent company
Interest income	37,963	71	306.2	0
Interest expenses	70,214	0	642.5	0
Commission income	25,101	0	0.0	0
Commission expenses	37,963	71	101.6	0
Other income and expenses	-22,246	0	906.1	0
Total	**-77,296**	**71**	230.5	-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, Chairman of the Managing Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig and Magdeburg (Chairman of the Supervisory Board)
- Günter Tallner, Member of the Managing Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig and Magdeburg (Deputy Chair of the Supervisory Board)
- Christoph Dieng, Member of the Managing Board of NORD/LB Norddeutsche Landesbank Girozentrale, Hanover, Braunschweig and Magdeburg

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 2019 were prepared, in material respects, in accordance with IAS 34 Interim Financial Reporting, 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, 5 September 2019

NORD/LB Luxembourg S.A. Covered Bond Bank

Thorsten Schmidt	Manfred Borchardt
Member of the Managing Board	Member of the Managing Board
NORD/LB Luxembourg S.A. Covered Bond Bank	NORD/LB Luxembourg S.A. Covered Bond Bank

NORD/LB

Covered Bond Bank
Luxembourg

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