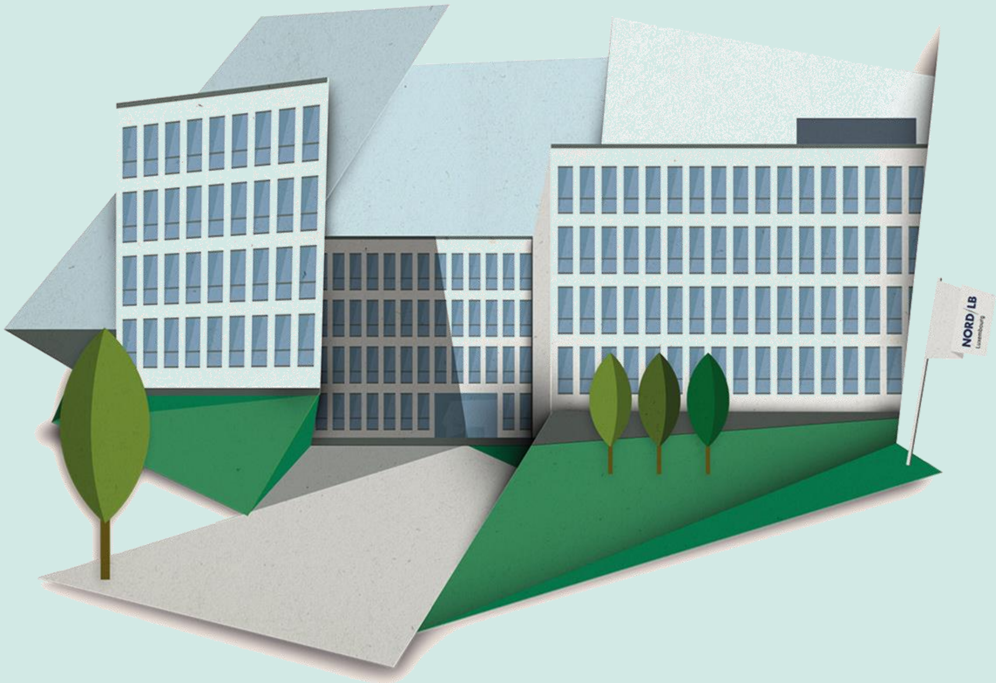
NORD/LB



Condensed interim financial statements

as at 30 June 2020

Overview of key data

The following tables may contain computational rounding differences.

Business performance	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in € million)	Change (in %)
Cash reserve	8.1	11.6	-3.5	-30
Trading assets	210.4	138.2	72.2	52
Financial assets at fair value through profit or loss	774.0	822.2	-48.2	-6
Financial assets at fair value directly in equity	1,781.0	1,939.4	-158.4	-8
Financial assets at amortised cost	10,831.8	12,233.1	-1,401.3	-11
Positive fair values from hedge accounting derivatives	379.9	312.9	67.0	21
Other assets	101.6	104.2	-2.5	-2
Total assets	**14,086.8**	**15,561.6**	**-1,474.8**	**-9**
Trading liabilities	93.5	121.6	-28.1	-23
Financial liabilities at fair value through profit or loss	1,556.5	1,560.1	-3.6	0
Financial liabilities at amortised cost	11,094.9	12,645.3	-1,550.4	-12
Negative fair values from hedge accounting derivatives	593.5	480.2	113.3	24
Provisions	7.5	11.6	-4.1	-35
Other liabilities	34.6	35.5	-0.9	-2
Reported equity	706.2	707.2	-1.0	0
Total liabilities	**14,086.8**	**15,561.6**	**-1,474.8**	**-9**

Earnings performance	First half of 2020 (in € thousand)	First half of 2019 (in € thousand)	Change (in € thousand)	Change (in %)
Net interest income	59,012	60,259	-1,247	-2
Net commission income	-29,819	-25,046	-4,774	19
Profit/loss from fair value measurement	-9,384	-8,909	-476	5
Net valuation allowance from financial instruments not measured at fair value through profit or loss	-1,368	3,760	-5,128	< -100
Modification profit/loss	-47	0	-47	-
Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss	-3,031	-6	-3,025	> 100
Profit/loss from hedge accounting	4,553	8,008	-3,455	-43
Profit/loss from foreign exchange	512	51	462	> 100
Profit/loss from shares in companies	0	64	-64	-100
Administrative expenses	-12,553	-14,722	2,169	-15
Current amortisation and depreciation	-2,919	-1,988	-931	47
Other operating profit/loss	-7,638	-10,749	3,111	-29
Income taxes	668	-3,137	3,805	< -100
Earnings after taxes	**-2,015**	**7,586**	**-9,600**	**< -100**

Key performance indicators	First half of 2020	First half of 2019	Change (absolute)	Change (in %)
Cost/income ratio in % *)	108.9%	70.8%	38.2%	54
RoRaC in % **)	-1.6%	6.3%	-7.9%	< -100

*) For a definition of cost/income ratio (CIR), see also ((7)Segmentation of NORD/LB CBB by business segment).

**) For a definition of RoRaC, see also ((7)Segmentation of NORD/LB CBB by business segment).

Key regulatory indicators	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in € million)	Change (in %)
Total risk exposure amount	2,891.3	3,567.0	-675.7	-19
Tier 1 capital	680.7	646.5	34.3	5
Own funds	685.7	648.7	37.0	6
Tier 1 capital ratio	23.5%	18.1%	5.4%	30
Total capital ratio	23.7%	18.2%	5.5%	30

Workforce	30 Jun. 2020	31 Dec. 2019	Change (absolute)	Change (in %)
Number of employees	154	155	-1	-1

Contents

Interim Management Report

Interim Management Report

NORD/LB Luxembourg S.A. Covered Bond Bank

NORD/LB Luxembourg S.A. Covered Bond Bank (hereinafter “NORD/LB CBB” or, for short, “the Bank”), domiciled in Luxembourg, is a wholly-owned 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 2020 refers to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2019, 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 2019 to 30 June 2019.

The current interim financial statements as at 30 June 2020 comprise the balance sheet, the income statement, the condensed statement of changes in equity, the condensed cash flow statement and selected 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 within the framework of the risk report, which is a component of the interim management report.

Realignment of the NORD/LB Group

At the end of 2019, NORD/LB reached an agreement with the owners, the Savings Bank Financial Group (SFG) and the banking regulators on the key features of a new business model. The NORD/LB 2024 transformation programme was already launched last year in order to implement the associated objectives; the programmes at that time – Blossom (recapitalisation and NORD/LB business model) and One Bank (optimisation of Group structures and processes) – were also transferred to this programme. Despite the challenging conditions caused by the coronavirus in the first half of 2020, the programme’s progress was ensured by switching at an early stage to a remote working mode without any significant deviations from the programme planning.

The objective within the framework of the NORD/LB 2024 transformation programme is to complete the set of measures by the end of 2021 and to have implemented all of the planned measures by the end of 2023.

Effects on NORD/LB CBB:

In the NORD/LB 2024 programme, NORD/LB CBB is represented in the “Foreign branches/subsidiaries” module. In principle, NORD/LB CBB will initially continue to operate its current business segments. In close cooperation with the other modules and the programme management, however, work is being done on possible models for further cross-location optimisation. Due to the strong dependency on fundamental decisions in the other modules of the programme, a strategic review of the NORD/LB CBB business model is currently planned for the second half of 2020. The specific planning for the following years will be based on these findings.

COVID-19 pandemic

NORD/LB CBB has had an established Business Continuity Management system in place for many years, which meets the requirements of both the NORD/LB Group and the Luxembourg regulators. In the course of the COVID-19 pandemic, the Bank had already activated a situation team and the crisis unit in February in accordance with the emergency manual. Both bodies comprise representatives of various departments involved, whose role is to continuously monitor and evaluate the situation, and to develop and implement measures. The aim is, on the one hand, to guarantee that the health of the Bank's employees is protected at all times and, on the other, to ensure that NORD/LB CBB is fully functional. On 7 March 2020, emergency operations were officially launched and the CSSF (Luxembourg banking supervisory authority) was informed accordingly. In order to protect the employees and in accordance with the requirements of the CSSF, the workplaces of approximately 85 per cent of all staff were moved to the home office. The changeover was successfully completed within one week. The main measures taken in the context of emergency management included

• Establishing the home office capability of all employees

• Developing a reporting system and establishing communication with all relevant stakeholders (Managing Board, employees, NORD/LB Group, Supervisory Board and supervisory authorities)

• Laying down rules for business trips and events/meetings

• Implementing the COVID-19 occupational safety standard

• Developing an access and hygiene concept

• Developing a step-by-step restart plan

All measures are coordinated on an ongoing basis within the NORD/LB Group and NORD/LB CBB is also in regular contact with the main service providers and tenants.

NORD/LB CBB's processes were stable at all times and there were no failures.

Due to the volatile situation in Luxembourg, a multi-stage plan for a return to normality was developed. This also includes fallback parameters in order to be able to react quickly to e.g. rising numbers of infections. With the return to normal operations, a first stabilisation phase started on 15 June 2020, by increasing the local staffing level to approx. 25 per cent. As a result of the increased number of cases in Luxembourg and temporary classification as a risk area by the Robert Koch Institute (RKI), staff numbers were reduced to the minimum level again on 15 July 2020 as planned. Ongoing developments are currently being monitored and an increase in personnel capacities on site is not planned before the end of September 2020.

Due to the current situation, an end to the emergency management has not yet been scheduled.

The substantial effects of the COVID-19 pandemic on the balance sheet and income statement are shown in Note ((5) Effects of the COVID-19 pandemic on the NORD/LB CBB interim report).

International economic developments

Economic environment

In the first half of 2020, the global economy was hard hit by the effects of the COVID-19 pandemic. The starting point of the wave of infection was China, which was also the first economy to be severely impacted. However, pressure from economic activity was already being felt in Europe and North America at the end of the first quarter and was particularly pronounced in the second quarter. According to the Federal Statistics Office, seasonally adjusted real gross domestic product (GDP) in Germany fell by 2.0 per cent quarter-on-quarter, followed by a decline of 10.1 per cent in the spring. In the Eurozone, economic output in the first two quarters fell by as much as 3.6 per cent (1st quarter) and 12.1 per cent (2nd quarter). In the United States, seasonally adjusted real economic activity declined in the same period by an annualised 5.0 per cent and 32.9 per cent respectively from the previous period. The depth of the recession also impacts on the labour market. US unemployment still recorded a rate of 11.1 per cent in June, despite having soared to 14.7 per cent in April. Employment numbers increased significantly in Germany too, but the rate was much lower in June at 6.4 per cent. A key explanation for this is the extensive use of short-time working, so that redundancies could often be prevented.

A variety of supporting monetary and fiscal measures have been taken to avert an even stronger economic contraction. Important central banks such as the European Central Bank and the Federal Reserve have also made it very clear that key interest rates are not expected to rise in the medium term. Capital market yields thus appear to be anchored at a low level globally for the time being. Accordingly, the interest rate on 10-year German Bund fluctuated only slightly above the -0.5 per cent mark in June. Global equity markets benefited from high liquidity levels worldwide and hopes of an imminent recovery in economic activity. In June, the German share index broke through the 12,000 points mark again on a sustained basis, having fallen briefly below 9,000 points in March. The yield on ten-year US Treasuries fluctuated above 0.6 per cent in June. The US dollar succeeded in rising above the € 1.12 mark in June. Despite the crisis situation, the €/USD basis swap spread remained within a relatively narrow range in all maturities.

Global economic outlook

NORD/LB believes that although global economic activity is expected to recover in the second half of 2020, growth rates in Germany, the euro zone and the USA will be clearly negative for 2020 as a whole. The outlook for global economic development remains marked by a particularly high degree of uncertainty. Although a recovery is generally expected after the deep fall in the first half of the year, a pronounced second wave of infections could lead to new economic burdens at any time. In addition, Brexit remains a threat to the European economy because of the as yet unforeseeable regulation of future relations between the EU and the United Kingdom. Increasing geopolitical tensions between the USA and China also constitute an economic risk.

In the core scenario, however, NORD/LB expects the global economy will recover after the COVID-19 pandemic, which means a return to positive growth rates in Germany, the Eurozone and the USA in 2021. In NORD/LB's view, the leading global central banks are not expected to raise key interest rates in the medium term either. Correspondingly, capital market yields in the major currency areas are not expected to rise sharply.

Covered bond markets and Lettres de Gage publiques

The course taken by the first six months of the year was unthinkable at the beginning of the year. While the start of the year was in line with expectations, the rapid spread of COVID-19 and the resulting measures changed the market environment in an unprecedented way.

COVID-19 resulted in a significant reduction in issuing activity on the primary market. Bonds in the amount of € 66.3 billion (2019: € 92.2 billion) were issued in the first half of 2020, which is down by approx. 30 per cent on the same period of the previous year and roughly a quarter lower than the average of previous years.

Issuers from France were particularly active (33.6 per cent), followed by Germany with 19.2 per cent. Canada took third place with 12.5 per cent.

The uncertainty on the markets had a particularly drastic effect on spread developments; while spreads trended sideways until the turn of the month February/March, the impact on the market was then reflected in significant spread widening across the board. Even for AAA/Aaa covered bonds, average new issue premiums of around 31 basis points were observed for the period between 16 and 29 March. The secondary market also suffered considerably, being characterised by high illiquidity.

However, spreads have meanwhile returned to pre-crisis levels. This development is due not least to the activities of the European Central Bank, which intervened in the market with numerous measures to combat the fallout of the COVID-19 pandemic. The Asset Purchase Programme (APP) was expanded by an additional € 120.0 billion, the Pandemic Emergency Purchase Programme (PEPP) was launched, which now amounts to € 1,350.0 billion. The terms of the TLTRO III tender were adjusted and the rating requirements for central bank collateral and the applicable haircuts were adjusted.

The two measures that impacted most on the covered bond segment were probably the improvement of the TLTRO III tender terms and the expansion of the APP. This also led to a shift within the covered bond segment at the expense of publicly-placed deals in favour of retained issues, which can be provided as collateral in the context of raising TLTRO funds.

The expansion of the APP and therefore of the Covered Bond Purchase Programme (CBPP) 3 provided a spread-supporting effect.

In line with the market as a whole, the market for Lettres de Gage was also affected by the interim spread widening. However, consistent with the overall trend, it also recovered and spreads are now trading close to pre-crisis levels again. In the first half of the year, the unchanged high level of investor confidence in Lettres de Gage was reflected in two very successful new issues, both in Lettres de Gage publiques and in the world's first genuine green covered bond, Lettres de Gage énergies renouvelables.

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 for renewable energies - Lettres de Gage énergies renouvelables (Lettres 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 issue proceeds from Lettres de Gage énergies renouvelables 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, especially in cooperation with NORD/LB.

On 20 January 2020, the new opportunities were availed of for the first time with the successful issue of Lettres de Gage énergies renouvelables sized at € 300.0 million and a term of five years.

Development of the business segments

Financial Markets & Loans

The core activities of Financial Markets & Loans at NORD/LB CBB are funding, bank management and sales.

ALM/Treasury

ALM/Treasury, a part of the Financial Markets & Loans 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 uses 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 (SSAs) sector and banks in non-German-speaking parts of Europe. Standardised and structured financial products are sold in close cooperation with the Group.

The objective in the standardised product segment ("flow products") is to support primary market activities and increase the turnover rate of the Group's trading book. The main flow products include 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.

With effect from the reorganisation of the Financial Markets & Loans division carried out on 1 July 2020, the Fixed Income Structured Product Sales group will be spun off from the Financial Markets department and report directly to the member of the Managing Board responsible for the front office.

Performance in Financial Markets & Loans

Following on from the regular Lettres de Gage issues that were already issued in recent years, NORD/LB CBB placed two benchmark issues in the first half of 2020. The first green Covered Bond, the Lettre de Gage énergies renouvelables, was very successfully placed with international investors on 20 January. The € 300.0 million issue, with a five-year term, not only achieved an order book of € 1.1 billion, which is the highest bid-to-cover ratio of the Lettres de Gage issued by NORD/LB CBB to date. At 83, the number of investors, some of whom were buying a Lettre de Gage for the first time, as well as the very granular order book in terms of investor groups and country distribution of investors, also made this transaction a resounding success.

This is certainly due the uniqueness of this product innovation: It is the world's first separate legal framework for a covered bond product, which explicitly lays down strict criteria for the use of financing in renewable energies as a cover asset and thus meets investors' wishes, especially in green and sustainable products.

On 3 June, a benchmark issue was also successfully placed in the already established Lettres de Gage publiques. This involved an issue in the amount of € 500.0 million with a term of seven years. The granular order book and the fast and smooth execution of the transaction also stand out in this issue.

As at 30 June 2020, the nominal over-collateralisation for Lettres de Gage publiques including derivatives was 23.3 per cent, or 33.7 per cent on a net present value basis. The legal requirement (2 per cent) was thus comfortably met.

The origin of cover assets reflects the successful implementation of the business strategy, with 78.1 per cent coming from Europe (41.1 per cent from Germany).

The voluntary commitment given by NORD/LB CBB in 2015 to comply with certain requirements was cancelled with effect from 1 March 2020, partly due to the amendment of the Luxembourg Pfandbrief Act (22 June 2018).

As at 30 June 2020, the Lettres de Gage énergies renouvelables have a nominal over-collateralisation of 28.6 per cent and 38.6 per cent respectively. The cover assets originate exclusively from Europe, with the focus on wind (89 per cent) and solar (11 per cent).

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

Loans – Loan Services

The allied lending business concentrated on the cooperation between NORD/LB CBB and partners from the Corporate Customer, and Structured Finance divisions of NORD/LB, and is the core business of NORD/LB CBB. As part of a strategic realignment, the focus is on financing credit transactions that qualify for the Luxembourg Covered Bond, the Lettre de Gage. Here NORD/LB CBB offers the NORD/LB Group unique added value. This is why the credit business eligible for a cover pool in Luxembourg is accounted by NORD/LB CBB across the Group. New business development in the first half of the year was up against a challenging business environment, with the result that the strategic loan portfolio, consisting of loans eligible for the cover pool developed sideways. As scheduled, there was a significant decline of the non-strategic loan portfolio.

PPP (public private partnership) transactions that qualify for the Lettres de Gage publiques 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 new business is on the core European states, plus selected new business from Asia. These loans serve as a cover pool for issuing Lettres de Gage publiques.

In addition to lending transactions that qualify for Lettres de Gage publiques, loans to finance renewable energies (solar and wind power) have also been booked through NORD/LB CBB. These loans qualify for the cover pool for the covered bond class Lettres de Gage énergies renouvelables, which was newly developed in 2018 and is unique worldwide. The geographical focus of these businesses is also on the core European countries.

Loans – Factoring

Alongside traditional lending business, the Bank specialises in factoring (mainly 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 being operated in close cooperation with the Group. Factoring is considered an important anchor product, which remains in high demand from customers. In the first half of 2020, some transactions were not prolonged as usual, due to the change in business strategy and the associated redefinition of target customers and pricing, among other things. At the same time, however, existing transactions were increased and new customers acquired. Overall, the programme limits still fell by about seven per cent in the first six months.

The digitalisation initiatives launched and largely implemented in recent years were stabilised and further established in the first half of the year. This includes the improvement of internal processes with the help of innovative software solutions and the expansion of an existing cooperation framework with a FinTech company.

Client Services Inhouse

The Client Services 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:

General:

NORD/LB CBB, as a wholly-owned subsidiary of NORD/LB, already agreed on optimisation measures as part of the predecessor "One Bank" initiative running out to 2021. Both operating costs and the number of employees were reduced in the past financial year. An appropriate provision for reorganisation measures was recognised to cover the financial expense associated with planned restructuring measures or measures that have already been initiated.

In the NORD/LB 2024 programme, NORD/LB CBB is represented in the "Foreign branches/subsidiaries" module. In principle, NORD/LB CBB will initially continue to operate its current business segments. In close cooperation with the other modules and the programme management, however, work is being done on possible models for further cross-location optimisation. Due to the strong dependency on fundamental decisions in the other modules of the programme, a strategic review of the NORD/LB CBB business model is currently planned for the second half of 2020. The specific planning for the following years will be based on these findings.

Covered bond markets and Lettres de Gage

Activities at European level to harmonise the covered bond markets have been completed – at least as far as the European legislative process is concerned. Publication of the Covered Bond Directive and the amendments to the CRR in the Official Journal of the European Union on 18 December 2019 marked the successful completion of a process lasting several years. The core of the package of laws harmonising the European covered bond markets is the Covered Bond Directive, which forms the basis for transposition into national law. The directive contains both optional and mandatory requirements. There is a tight timetable for transposition into national law. The legislation entered into force 20 days after publication, on 8 January 2020. The period for transposing the Directive into national law is 18 months, and must therefore be completed by 8 July 2021 – with application by 8 July 2022 at the latest. On this date the Regulation (amending the CRR) will also enter into force. This means that all European legislators are currently reviewing their covered bond legislation and are making or planning appropriate changes/additions. This applies to Luxembourg too. As the EU Directive contains both optional and mandatory provisions, it is not possible at this point in time to make a final statement on the nature and extent of possible effects on the Lettres de Gage business. Nevertheless, a grandfathering clause applies to Lettres de Gage issued before the new rules become mandatory in Luxembourg (by 8 July 2022 at the latest). These will be deemed compliant with EU directives until their due date. To ensure the status of Lettres de Gage as a successful Covered Bond product in Europe, the Bank has actively and constructively engaged in dialogue with the European institutions and interest groups involved in the harmonisation process. The amendment of the Luxembourg law of 5 April 1993 on the financial sector – which came into force on 22 June 2018 – concerning the introduction of Covered Bonds for renewable energies created the first legal framework in the world for a covered bond class secured by financing of renewable energies. This new field of activity offers great opportunities for NORD/LB CBB, especially in cooperation with NORD/LB, in addition to the already established business segments.

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 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.

Ratings for NORD/LB Luxembourg S.A. Covered Bond Bank

As at 30 June 2020, NORD/LB CBB's ratings were as follows:

	FitchRatings	Moody's
NORD/LB Luxembourg S.A. Covered Bond Bank		
Long-term / short-term issuer rating	A-** / F1	A3* / P-2
Lettres de Gage publiques	AAA	Aa2
Lettres de Gage énergies renouvelables	-	Aa2

* with stable outlook

** with outlook negative

On 3 January 2020, Fitch Ratings gave the Bank's long-term issuer rating (IDR) a stable outlook of A-. On 6 April 2020, the outlook was changed to negative due to possible effects of the global COVID-19 pandemic.

On 9 January 2020, Moody's raised the long-term issuer rating of NORD/LB CBB by two notches from Baa2 to A3 (outlook stable). On 13 January 2020, Moody's raised the Lettres de Gage publiques rating to Aa2 from Aa3 and the Lettres de Gage énergies renouvelables rating to P(Aa2) from P(Aa3). Following the first issue of Lettre de Gage énergies renouvelables, the rating of Aa2 for Lettre de Gage énergies renouvelables was confirmed.

Earnings

The interim financial statements of NORD/LB CBB dated 30 June 2020 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:

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Net interest income	59,012	60,259	-1,247
Net commission income	-29,819	-25,046	-4,774
Profit/loss from fair value measurement	-9,384	-8,909	-476
Net valuation allowance from financial instruments not measured at fair value through profit or loss	-1,368	3,760	-5,128
Modification profit/loss	-47	0	-47
Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss	-3,031	-6	-3,025
Profit/loss from hedge accounting	4,553	8,008	-3,455
Profit/loss from foreign exchange	512	51	462
Profit/loss from shares in companies	0	64	-64
Administrative expenses	-12,553	-14,722	2,169
Current amortisation and depreciation	-2,919	-1,988	-931
Other operating profit/loss	-7,638	-10,749	3,111
Earnings before income taxes	**-2,683**	**10,723**	**-13,406**
Income taxes	668	-3,137	3,805
Net profit	**-2,015**	**7,586**	**-9,600**

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

The breakdown of earnings components is as follows:

Net interest income

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Interest income	203,175	242,205	-39,030
Interest expenses	-149,899	-185,792	35,893
Interest rate anomalies	5,736	3,846	1,890
Net interest income	**59,012**	**60,259**	**-1,247**

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

Net interest income decreased by € 1,247 thousand compared to the same period of the previous year and is slightly lower.

The main effects within interest income are the reductions in interest income of the category assets measured at amortised cost. In this context, interest income from debt securities and other fixed-interest securities fell by 12 per cent and interest income from loans and advances to customers by 8 per cent.

The reductions within debt securities and other fixed-income securities are mainly based on declining volume of the Bank's portfolios, while the low interest rate environment is a burden within loans and advances to customers. The restructuring process at Group level is showing initial effects and the COVID-19 pandemic has resulted in low new lending during the first half of 2020.

Interest expenses have also fallen significantly, partially offsetting the lower interest income. Within interest expense, these compensating effects can be observed in particular from the -15 per cent decline in interest expenses from financial liabilities measured at amortised cost.

Furthermore, € 1,011 thousand (previous year: € 1,006 thousand) was generated in the first half of 2020 from special monetary policy measures of the ECB (TLTRO II).

For further breakdowns of net interest income, please refer to Note ((8) Net interest income and current income).

Net commission income

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Commission income	3,876	7,053	-3,177
Commission expenses	-33,696	-32,099	-1,597
Net commission income	**-29,819**	**-25,046**	**-4,774**

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

Net commission income fell from the same period of the previous year by € 4,774 thousand to € -29,819 thousand.

Commission income was generated principally in the lending and guarantee business (€ 2,782 thousand, previous year: € 3,396 thousand) and security transactions and custody service (€ 964 thousand, previous year: € 3,449 thousand). Other commission income (€ 131 thousand, previous year: € 208 thousand) arose mainly from account management and services.

Commission expenses are mainly attributable to profit-sharing (transfer price model) from business in partnership with other NORD/LB Group units (€ -19,631 thousand; previous year: € -21,844 thousand) and from lending and guarantee business (€ -13,239 thousand; previous year: € -8,638 thousand), which also take into account the costs of hedging credit risks. Other commission expenses also arise primarily from security transactions and custody service (€ -826 thousand; previous year: € -1,616 thousand).

The increase in commission expenses in the lending and guarantee business is almost exclusively due to additional risk hedging by NORD/LB. In contrast, commission expenses from the brokerage business are slightly lower than in the first half of 2019 following lower growth in new lending.

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

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Trading profit/loss	-1,715	1,476	-3,191
Profit/loss from financial assets mandatorily at fair value through profit or loss	-1,588	11,706	-13,294
Profit/loss from financial instruments designated at fair value through profit or loss	-6,081	-22,091	16,010
Profit/loss from fair value measurement	**-9,384**	**-8,909**	**-476**

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

Profit / loss from financial instruments at fair value through profit or loss (€ -9,384 thousand, previous year € -8,909 thousand) shows the trading profit/loss proper and the profit/loss from financial instruments mandatorily or voluntarily measured at fair value.

The negative trading profit/loss (€ -1,715 thousand, previous year € 1,476 thousand) is mainly the result of negative temporary measurement effects of € -2,026 thousand, previous year: € -696 thousand), which are chiefly attributable to basis spread effects on cross currency swaps. The credit derivative from the financial guarantees received from the State of Lower Saxony to hedge the risk of loss on certain ship and aircraft financing portfolios resulted in a slightly negative valuation result of € -601 thousand (previous year € 0). The other partially compensating effects were primarily interest-related.

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.

Interest-induced fair-value changes of own issues are included 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 including modification profit/loss

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Loan loss provisions for financial assets at fair value directly in equity	-1	-6	6
Loan loss provisions from financial assets at amortised cost	-3,955	3,485	-7,440
Allocations to and reversals of provisions in the lending business	2,588	281	2,306
Modification profit/loss	-47	0	-47
Net valuation allowance from financial instruments not measured at fair value through profit or loss including modification profit/loss	**-1,415**	**3,760**	**-5,175**

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

Changes in loan loss provisions resulted in a negative valuation allowance of € -1,368 thousand (previous year: € 3,760 thousand).
This is mainly due to increased default risks and the associated allocation to Level 2 risk provisioning on an exposure in the hotel sector (€ 2.4 million) and ship financing (€ 1.5 million). Offsetting effects result from an extended risk shield provided by NORD/LB guarantees.

In addition, the COVID-19 pandemic led to increases in risk provisioning totalling € 1.0 million on exposures to particularly affected sectors. This primarily affects companies in the logistics sector in the field of port and airport operations.

The positive result from allocations to and reversals of provisions in the lending business is almost exclusively attributable to limit reductions from ship financing. There is thus a partial compensatory effect between the reduction of provisions in the lending business for off-balance-sheet risks and the increase in loan loss provisions for on-balance sheet risks.

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

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Financial assets at fair value directly in equity	0	-6	6
Financial assets at amortised cost	-3,031	0	-3,031
Financial liabilities at amortised cost	0	0	0
Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss	**-3,031**	**-6**	**-3,025**

Net disposal result from financial instruments not measured at fair value through profit or loss is € -3,031 thousand (previous year € -6 thousand). The loss results entirely from the sale of a security that was liquidated for risk concentration reasons.

Profit/loss from hedge accounting

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Profit/loss from hedged underlying transactions	48,471	-11,451	59,921
Profit/loss from derivatives employed as hedging instruments	-43,918	19,459	-63,377
Profit/loss from hedge accounting	**4,553**	**8,008**	**-3,455**

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

The changes in the **profit/loss from hedge accounting** (€ 4,553 thousand; previous year: € 8,008 thousand) 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.

Profit/loss from foreign exchange

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Profit/loss from foreign exchange	**512**	**51**	**462**

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

The foreign exchange result is generally relatively balanced, as currency risks are essentially eliminated. Temporary and minor inefficiencies in this process result in a low profit/loss from foreign exchange.

Administrative expenses

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Staff expenses	**-8,012**	**-9,283**	**1,271**
- Wages and salaries	-6,826	-8,064	1,238
- Social insurance contributions and pension expenses	-1,185	-1,218	33
Other administrative expenses	**-4,542**	**-5,439**	**897**
Administrative expenses	**-12,553**	**-14,722**	**2,169**

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

Administrative expenses were € 2,169 thousand lower than in the previous year. Staff expenses were reduced according to plan by € 1,271 thousand due to the multi-stage restructuring process currently being implemented. In the case of the other administrative expenses, IT and communication costs (€ 2,468 thousand, previous year € 2,969 thousand) in particular were responsible for the decrease.

Current amortisation and depreciation

Straight-line amortisation and depreciation on property and equipment and intangible assets rose by € 931 thousand to € -2,919 thousand. The commissioning of software components that have entered the depreciation phase contributed significantly to the increase.

Other operating profit/loss

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Other operating income	1,339	386	954
Other operating expenses	-8,978	-11,135	2,157
Other operating profit/loss	**-7,638**	**-10,749**	**3,111**

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

Other operating profit/loss improved by € 3,111 thousand to € -7,638 thousand.

Other operating income (€ 1,339 thousand, previous year € 386 thousand) essentially comprised rental income (€ 353 thousand, previous year € 379 thousand) as well as a reimbursement of surplus expenses paid from profit-sharing from 2018 (€ 925 thousand, previous year € 0).

Other operating expenses (€ -8,978 thousand, previous year: € -11,135 thousand) comprise settlement of services with the NORD/LB Group (€ -1,783 thousand, previous year: € -2.501 thousand) and the bank levy (€ -7,161 thousand, previous year: € -6,137 thousand).

Income and expenses from intra-Group service charging related to services received and made available.

Income taxes

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2020-30 Jun. 2019 (in € thousand)	Change*) (in € thousand)
Current taxes	668	-3,137	3,805
Deferred taxes	0	0	0
Income taxes	**668**	**-3,137**	**3,805**

*) 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 2020 refers to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2019, 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 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in € million)
Cash reserve	8.1	11.6	-3.5
Trading assets	210.4	138.2	72.2
Financial assets at fair value through profit or loss	774.0	822.2	-48.2
Financial assets at fair value directly in equity	1,781.0	1,939.4	-158.4
Financial assets at amortised cost	10,831.8	12,233.1	-1,401.3
Positive fair values from hedge accounting derivatives	379.9	312.9	67.0
Other assets	101.6	104.2	-2.5
Total assets	**14,086.8**	**15,561.6**	**-1,474.8**
Trading liabilities	93.5	121.6	-28.1
Financial liabilities designated at fair value through profit or loss	1,556.5	1,560.1	-3.6
Financial liabilities at amortised cost	11,094.9	12,645.3	-1,550.4
Negative fair values from hedge accounting derivatives	593.5	480.2	113.3
Provisions	7.5	11.6	-4.1
Other liabilities	34.6	35.5	-0.9
Reported equity	706.2	707.2	-1.0
Total liabilities and equity	**14,086.8**	**15,561.6**	**-1,474.8**

Total assets fell by € 1,474.8 million compared with 31 December 2019, from € 15,561.6 million to € 14,086.8 million.

The **cash reserve** comprises balances with central banks and shows a decrease in the amount of € 3.5 million to € 8.1 million.

Trading assets primarily contain derivatives that do not qualify for hedge accounting on the balance sheet but are found in economic hedges (€ 210.4 million, previous year € 138.2 million). The increase in this item is mainly due to higher market values, the lower interest rates on the capital market and not to the expansion of business.

Financial assets at fair value through profit or loss (€ 774.0 million, previous year: € 822.2 million) as at 30 June 2020 consisted primarily of financial assets mandatorily at fair value through profit or loss from the allocation of the “other” portfolio (€ 771.2 million) and receivables that do not meet the SPPI criterion (€ 2.8 million). The reduction is due to maturing assets in the “other” portfolio, whereas no new business was allocated to this portfolio.

Financial assets at fair value through profit or loss consist solely of debt securities and other fixed-interest securities (€ 1,781.0 million, previous year: € 1,939.4 million). The decline was largely due to maturities and repayments that were not fully made up by new business.

Financial assets at amortised cost comprise loans and advances to customers (€ 1,531.2 million, previous year: € 1,547.5 million), debt securities and other fixed-interest securities (€ 1,531.2 million, previous year: € 1,547.5 million), loans and advances to banks (€ 666.8 million, previous year: € 732.1 million) and loans and advances to customers (€ 8,633.1 million, previous year € 9,953.6 million).

Loans and advances to banks are essentially characterised by money market transactions (€ 654.1 million; previous year € 660.9 million) and other loans and advances in the amount of € 12.7 million (previous year € 71.1 million).

In line with the Bank's strategy, loans and advances to customers largely consist of loan receivables in the amount of € 8,635.4 million (previous year: € 9,948.7 million). In the first half of 2020, the lending business not eligible for cover funds declined by € 1,399.7 million. The volume of receivables purchased also fell from € 1,589.4 million to € 1,212.1 million. The decline in the portfolio is based on the current restructuring process at Group level and the ongoing COVID-19 pandemic.

Positive fair values from hedge accounting derivatives in the amount of € 379.9 million (previous year € 312.9 million) increased compared with the previous year. The increase is also due to higher market values due to the lower interest rate environment on the capital market.

The largest items under **other assets** (€ 101.6 million, previous year: € 104.2 million) are property and equipment including investment property (€ 63.3 million, previous year: € 64.6 million) and intangible assets (€ 28.8 million, previous year: € 30.2 million). There were no major changes in this item.

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** (€ 1,556.5 million) consist solely of own issues designated at fair value due to an accounting mismatch (previous year: € 1,560.1 million). No Lettres de Gage were allocated to this measurement category during the reporting period.

The item **financial liabilities at amortised cost** in the amount of € 11,094.9 million (previous year € 12,645.3 million) comprises liabilities to banks (€ 4,177.3 million, previous year € 6,105.8 million), liabilities to customers € 2,687.7 million (previous year € 2,631.7 million) and securitised liabilities in the amount of € 4,229.9 million (previous year € 3,907.8 million). The increase within Covered Bonds results from an issue of a Lettre de Gage of € 500.0 million in the second quarter of 2020.

The reduction in deposits from customers is due in particular to short-term deposits and counterbalances the issue.

Negative fair values from hedge accounting derivatives in the amount of € 593.5 million (previous year € 480.2 million) also increased as a result of the low interest environment on the capital market.

In addition to restructuring provisions of € 2.2 million, **provisions** primarily include provisions for pensions and similar obligations of € 3.9 million and provisions for risk provisions for loan commitments, financial guarantees and other off-balance sheet obligations of € 1.0 million. No material allocations were made to provisions during the reporting period. The reduction in the restructuring provision is mainly due to utilisation over the course of the Bank's multi-stage restructuring process currently being implemented.

Other liabilities in the amount of € 34.6 million mainly include income tax liabilities.

The Bank's **reported equity** stood at € 706.2 million as at 30 June 2020 (31 Dec. 2019: € 707.2 million).

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

Risk report

The NORD/LB CBB risk report for 30 June 2020 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 2019. These condensed interim financial statements therefore describe only significant developments in the reporting period.

Risk management

In the first half of 2020, risk management focused on managing the impact of the COVID-19 pandemic. The strong and volatile market movements led to increased market-price risks and a rise in hidden liabilities, and therefore to high utilisation levels in risk-bearing capacity overall. Against this background, a daily forecast of the risk capacity situation was meanwhile prepared for the Bank’s Managing Board, and formed the basis for several measures that were initiated in close cooperation with the parent company to strengthen the risk-bearing capacity and were concluded in full in the second quarter.

Risk-bearing capacity in the first half of 2020

The table below shows the utilisation of risk capital in the economic perspective for NORD/LB CBB as at 30 June 2020 and as at 31 December 2019:

Risk-bearing capacity	30.06.2020	31.12.2019
Normative perspective		
CET1 capital (in EUR million)	680.7	646.5
Regulatory risk potenial (in EUR milion)	231.3	285.4
CET 1 capital ratio (in %)	23.5%	18.1%
Tier 1 capital ratio (in %)	23.5%	18.1%
Total capital ratio (in %)	23.7%	18.2%
Economic perspective		
Total risk potential (in EUR million)	**270.5**	**355.0**
Credit risk	62.4	82.3
Market price risk	178.3	176.6
Liquidity risk	13.0	80.4
Operational risk	16.8	15.7
Risk capital (in EUR million)	**511.3**	**476.0**
Utilisation (in %)	**52.9%**	**74.6%**

The Bank's risk-bearing capacity as at 30 June 2020 as well as in the first half of the year was assured, despite temporarily higher capacity utilisation levels as a result of the COVID-19 pandemic. The Bank's capital base was strengthened from a normative and economic perspective, in particular by waiving a dividend distribution and the retention of profits carried forward of € 22.0 million. Thanks to further risk-minimising measures such as the extensive guarantee of the corporate customer loan portfolio and the raising of long-term unsecured liquidity and a benchmark issue (Lettre de Gage publique) in June, the utilisation rate in the economic perspective fell by 22 percentage points to 53 per cent compared with 31 December 2019.

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 2020.

Further negative market developments are expected in the second half of the year as a result of the COVID-19 pandemic. The Bank sees itself as equipped for this by implementing the aforementioned measure. A higher utilisation rate is therefore expected at the end of the year, but no threat to the risk-bearing capacity.

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.

As of 30 June 2020, a risk potential (unexpected loss) of € 62.4 million (previous year € 82.3 million) was determined using the Group-wide counterparty risk model. The significant reduction compared with 31 December 2019 is due in particular to additional guarantees for loans in the corporate customer portfolio.

The Bank expects the counterparty risk potential to remain essentially stable or rise slightly. The extensive risk shield for the lending business provided by NORD/LB means that rating downgrades resulting from a deterioration in the economic situation due to the COVID-19 pandemic will be absorbed for the most part. Risk increases could thus arise primarily from the Bank's securities portfolio, which, however, consists mainly of public-sector or counterparties from the financial sector with a good credit rating.

At Group level, minor changes only to the counterparty risk potential parameters are planned for the second half of the year and these will not have any noticeable effect on NORD/LB CBB's risk potential.

Credit risk

The maximum default risk exposure for balance-sheet and off-balance-sheet financial instruments came to € 15.2 billion on the reporting date and decreased by 10.2 per cent or € 1.7 billion in the first half of 2020. The decline is mainly due to a lower lending volume (loans and advances to customers).

Risk-bearing financial instruments	**Maximum default risk exposure**	
in € million	30.06.2020	31.12.2019
Loans and advances to banks	666.8	732.1
Loans and advances to customers	8,633.8	9,953.6
Financial assets at fair value through profit or loss	984.4	960.4
Positive fair values from hedge accounting	379.9	312.9
Financial assets	3,312.2	3,486.9
Subtotal	**13,977.1**	**15,445.8**
Warranties for third-party accounts	34.0	54.8
Irrevocable credit committments	1,154.4	1,393.4
Total	**15,165.5**	**16,894.1**

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 33.7 per cent in the calculation of credit exposure, whereas collateral is not taken into account.

Analysis of credit exposure

Credit exposure as at 30 June 2020 was € 14.9 billion. The hefty € 2.1 billion fall from 31 December 2019 was due in particular to a decline in the lending business and a lower repo volume.

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 2019:

Rating structure [1] [2] in € million	Loans [3]	Securities [4]	Derivatives [5]	Other [6]	Total exposure	
	30.06.2020				30.06.2020	31.12.2019
very good to good	7,223.1	3,668.6	440.6	608.4	**11,940.8**	**14,569.6**
good / satisfactory	1,251.7	394.3	0.0	103.8	**1,749.7**	**1,396.9**
reasonable / satisfactory	565.4	0.0	0.0	48.7	**614.1**	**584.5**
increased risk	407.8	26.4	0.0	0.0	**434.1**	**381.0**
high risk	51.4	0.0	0.0	10.1	**61.5**	**31.2**
very high risk	56.5	0.0	0.0	0.0	**56.5**	**11.7**
default (=NPL)	21.0	0.0	0.0	0.0	**21.0**	**33.2**
Total	**9,576.8**	**4,089.3**	**440.6**	**771.0**	**14,877.7**	**17,008.1**

[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 33.7% of the irrevocable and revocable credit commitments are included, as in the internal reporting.

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

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

[6] Includes other products such as transmitted and administrative loans.

Most of the total exposure (80.3 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 € million	Loans [3]	Securities [4]	Derivatives [5]	Other [6]	Total exposure	
	30.06.2020				30.06.2020	31.12.2019
Financing institutions / insurance companies	1,874.9	2,025.0	439.5	28.9	**4,368.3**	**5,067.3**
Service industries / other	2,842.0	1,827.5	0.8	173.6	**4,843.9**	**5,420.8**
- of which land and housing	*113.1*	*0.0*	*0.0*	*17.4*	*130.5*	*174.9*
- of which public administration	*83.0*	*1,803.0*	*0.0*	*2.4*	*1,888.3*	*1,918.7*
Transport / communications	848.1	14.2	0.3	76.0	**938.6**	**1,017.0**
- of which shipping	*104.5*	*0.0*	*0.0*	*0.0*	*104.5*	*129.0*
- of which aviation	*27.5*	*0.0*	*0.0*	*0.0*	*27.5*	*29.3*
Manufacturing industry	1,260.1	0.0	0.0	96.1	**1,356.2**	**1,650.9**
Energy, water, mining	1,749.8	222.5	0.1	373.4	**2,345.8**	**2,686.3**
Trade, maintenance, repairs	655.2	0.0	0.0	21.9	**677.0**	**794.9**
Agriculture, forestry, fishing	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Construction	346.7	0.0	0.0	1.0	**347.7**	**370.9**
Others	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**9,576.8**	**4,089.3**	**440.6**	**771.0**	**14,877.7**	**17,008.1**

[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.

Due to a lower repo volume, the share of business with financing institutions and insurers fell slightly to 29.4 per cent of total exposure. Including public administration, this still accounts for a significant share of total exposure at 42.1 per cent. The shares of the energy, water supply, mining and service industries / other sectors (excluding public administration) are almost unchanged from 31 December 2019, at 15.8 per cent and 19.9 per cent respectively.

The total credit exposure by region breaks down as follows:

Regions [1] [2] in € million	**Loans** [3]	**Securities** [4]	**Derivatives** [5]	**Other** [6]	**Total exposure**	
	30.06.2020				**30.06.2020**	**31.12.2019**
Euro countries	6,936.8	1,731.8	419.0	756.4	**9,844.0**	**11,442.0**
- of which Germany	*5,644.3*	*810.8*	*394.1*	*734.3*	*7,583.4*	*8,790.8*
Other Europe	1,800.9	545.7	21.0	14.6	**2,382.2**	**2,651.8**
North America	702.8	1,397.4	0.6	0.0	**2,100.9**	**2,308.1**
Central and South America	103.7	0.0	0.0	0.0	**103.7**	**108.4**
Middle East / Africa	1.7	0.0	0.0	0.0	**1.7**	**1.8**
Asia/Australia	30.7	414.4	0.0	0.0	**445.1**	**496.0**
Other	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Total	**9,576.8**	**4,089.3**	**440.6**	**771.0**	**14,877.7**	**17,008.1**

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

At NORD/LB CBB, only guarantees and securities 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 exposure**	
	30.06.2020			**30.06.2020**	**31.12.2019**
Uncovered	**6,890.3**			**6,890.3**	**9,577.6**
very good to good	**6,396.3**			**6,396.3**	9,090.6
good / satisfactory	**422.3**			**422.3**	399.0
reasonable / satisfactory	**0.0**			**0.0**	15.0
increased risk	**71.2**			**71.2**	72.4
high risk	**0.0**			**0.0**	0.0
very high risk	**0.0**			**0.0**	0.0
default (=NPL)	**0.4**			**0.4**	0.5
Covered		**1,337.9**	**6,649.5**	**7,987.4**	**7,430.5**
Total				**14,877.7**	**17,008.1**

NORD/LB continues to be the largest provider of collateral, securing an exposure of € 6.5 billion (previous year: € 5.6 billion) with guarantees as at 30 June 2020.

Non-performing loans (NPLs)

The portfolio of non-performing loans was reduced considerably in the first half of the year and comprises an exposure of € 21.0 million as at 30 June 2020 (previous year € 33.2 million).

The exposure is largely attributable to two borrowers from the manufacturing and service industries (€ 18.0 million), which are fully guaranteed by the parent company or secured by cash deposits. A further € 3.0 million is split between four borrowers from the same industry.

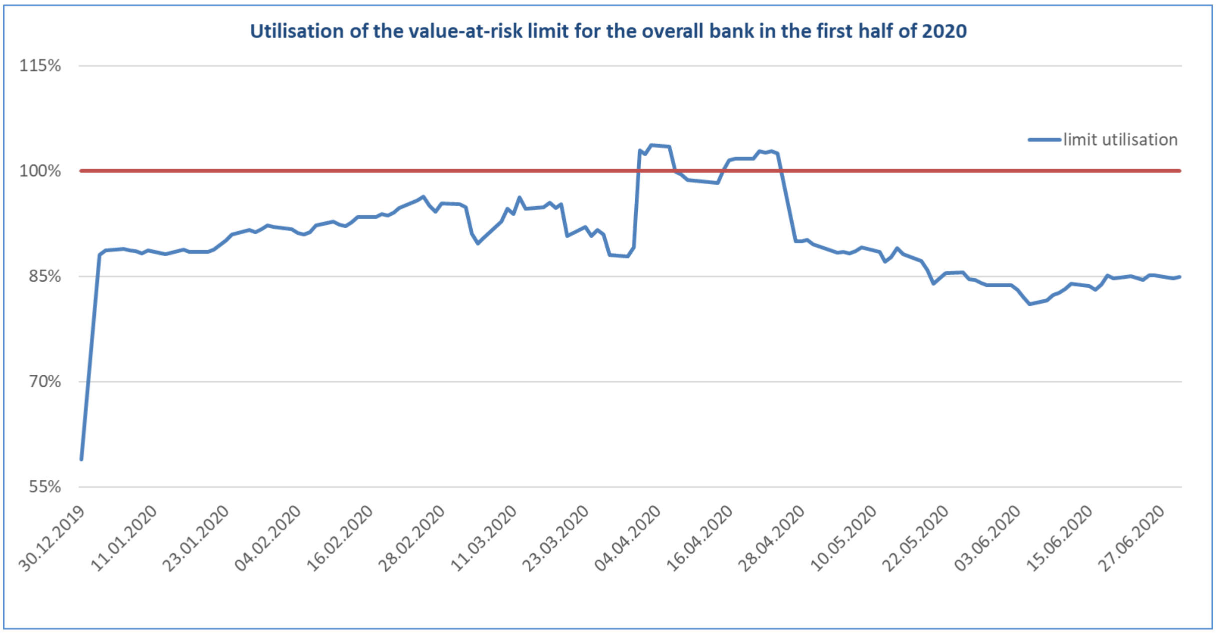
The Bank's risk provisioning (including credit provisions) as at 30 June 2020 had increased by € 1.4 million to € 12.1 million since the beginning of the year.

Market-price risk

The markets that are relevant to the Bank were affected by the turbulence caused by the COVID-19 pandemic during the reporting period. In the first quarter of 2020, falling USD interest rates and rising credit spreads led to a significant increase in market-price risk. As a result of the simultaneous increase in hidden liabilities and a related reduction in risk coverage ratio and the market-price risk limit, utilisation of the operating value-at-risk limit exceeded 100 per cent at times in April. Following the implementation of capital-reinforcement measures, the original market-price risk limit was restored as at 30 April 2020, so that as the market-price risk potential continued to fall, the limit utilisation remained permanently below 90 per cent again. Besides a market recovery, the sale of securities positions in particular contributed to this risk reduction.

Renewed market distortions cannot be ruled out for the rest of the year due to the ongoing COVID-19 pandemic. However, the Bank is 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.

The following chart shows the development of the utilisation of the overall value-at-risk limit for the Bank (confidence level: 99.9 per cent; holding period: 250 days):



NORD/LB CBB's operating value-at-risk limit was reduced at the beginning of the year to € 200 million (previous year € 300 million). Following a re-allocation of the risk-strategic specifications by the Managing Board of NORD/LB CBB, the operating value-at-risk limit was raised by € 10 million to € 210 million with effect from 4 March 2020. After an interim reduction to € 185.5 million as a result of the utilisation of the risk coverage ratio, a limit of € 210 million has been in place again since 24 April 2020.

As at 30 June 2020, the utilisation totalled € 178.4 million or 85.0 per cent (utilisation in the previous year: 58.9 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 €, GBP and USD.

The average annual utilisation of the VaR limit was 90.9 per cent (previous year: 46.7 per cent), with a maximum utilisation of 103.7 per cent (previous year: 62.8 per cent) and a minimum utilisation of 81.0 per cent (previous year: 37.3 per cent).

As at 30 June 2020, measurements showed interest-rate risks of € 106.4 million, foreign currency risks of € 68.4 million, volatility risks of € 0.3 million and credit-spread risks of € 150.1 million. The Bank calculated these risks at a confidence level of 99.9 per cent and with a holding period of 250 days.

Earnings-based interest rate risks are determined as part of the normative perspective by means of a scenario-based approach. Different scenarios with similar probabilities are considered and a limit is set for the compelling scenario. As at 30 June 2020, the compelling scenario was € -0.5 million, so that utilisation of the € 10.0 million was 4.8 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.

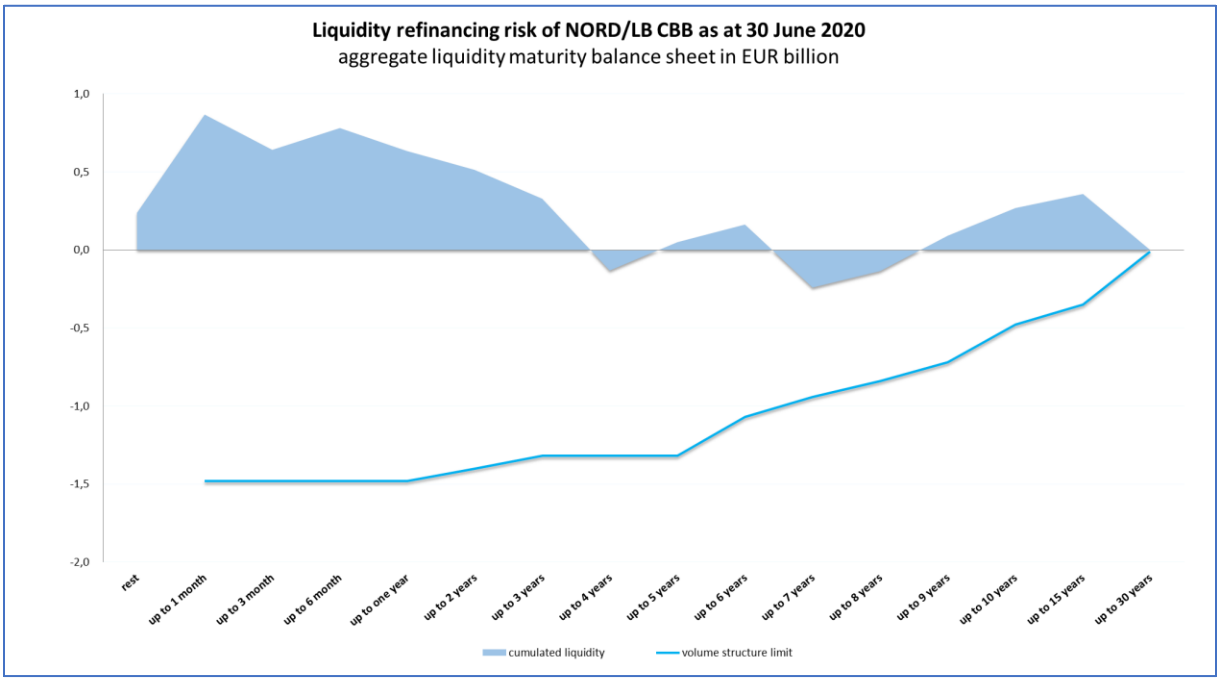
The Bank uses the standard procedure pursuant to the CRR to calculate the regulatory capital requirement for interest rate, currency and share price risk. Taking into account the requirements for credit valuation adjustment (CVA), an equity requirement of € 0.6 million (previous year: € 0.6 million) was calculated for the market price risk on 30 June 2020.

Liquidity risk

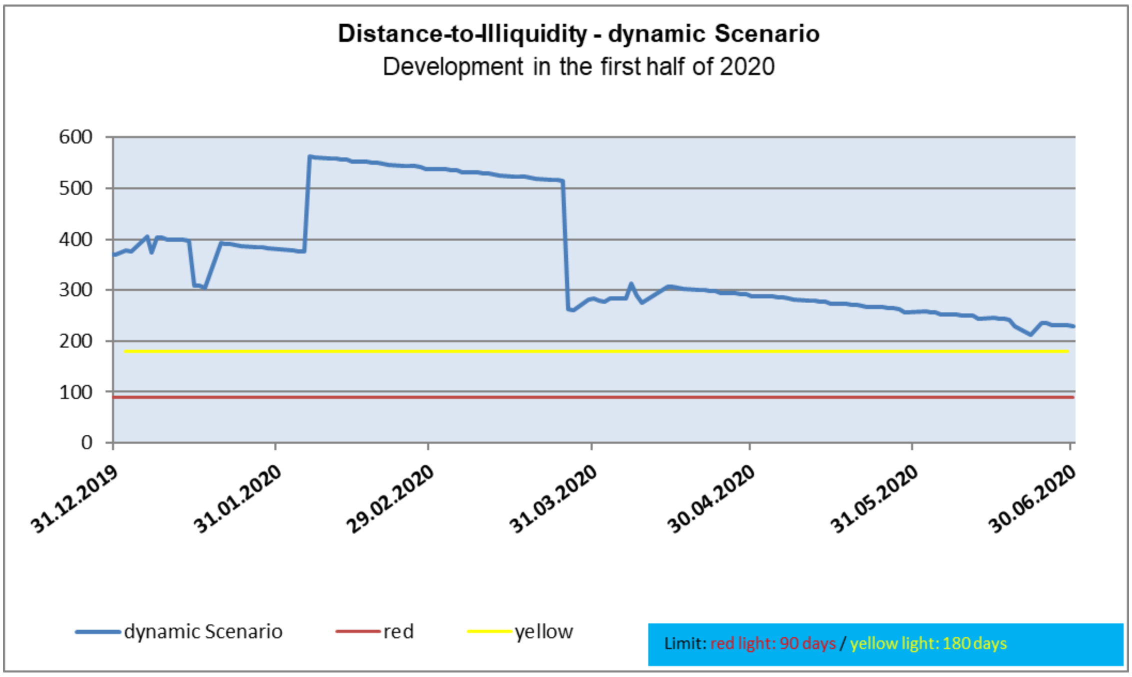
Despite the persistent extremely low level of interest rates, sufficient liquidity was obtained on the market at all times, irrespective of the market turbulence. As early as January, the Bank was able to place the first Lettre de Gage énergies renouvelables issue with a volume of € 300.0 million on the market with great success. In June, a € 500 million benchmark Lettre de Gage publique was issued. In addition, the Bank raised unsecured long-term liquidity in the amount of € 100.0 million from the parent company in March as part of the measures to strengthen its risk-bearing capacity.

NORD/LB CBB funding mix remains relatively balanced. 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:

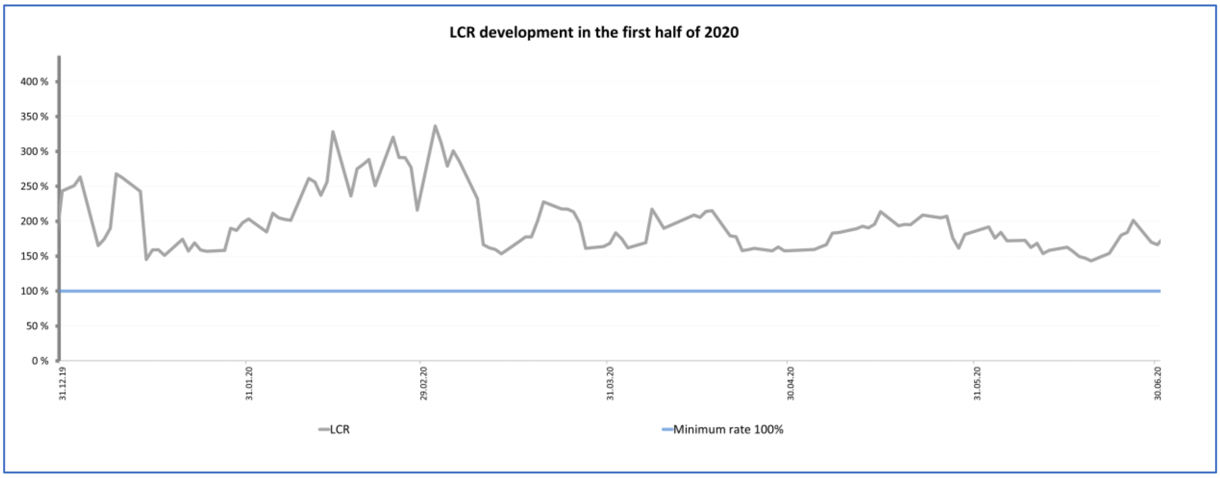


The distance-to-illiquidity (DTI) trend over one year in the dynamic scenario that is relevant for management purposes at NORD/LB CBB is as follows:



The parameterisation of the dynamic scenario that is relevant for the daily operational liquidity management was tightened in March in the course of the difficult market situation in relation to the COVID-19 pandemic. Nevertheless, the DTI was steered above the YELLOW threshold of 180 days throughout the first half of the year.

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:



The LCR averaged 198.6 per cent in the reporting period. Regulatory requirements were adhered to at all times.

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 2020, the asset encumbrance ratio for NORD/LB CBB stood at 61.0 per cent (previous year: 60.1 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 rising 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 ABACUS 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, following temporary delays.

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, one claim greater than € 5 thousand was reported, with all claims totalling € 190 thousand. This claim, which relates to a licensing procedure, is still being clarified as at the reporting date.

As at 30 June 2020, the risk exposure for operational risk came to € 16.8 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 € 10.0 million as at the reporting date.

Against the background of the COVID-19 pandemic, the software solution for integrated OpRisk management is still being implemented and will be concluded by the end of the year.

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 has taken account of the temporarily high level of utilisation implementing capital-reinforcing and risk-reducing measures. 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 2020.

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 2019 changed as follows:

30 Jun. 2020	31 Dec. 2019	Change (absolute)	Change (in %)
154	155	-1	-1

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.

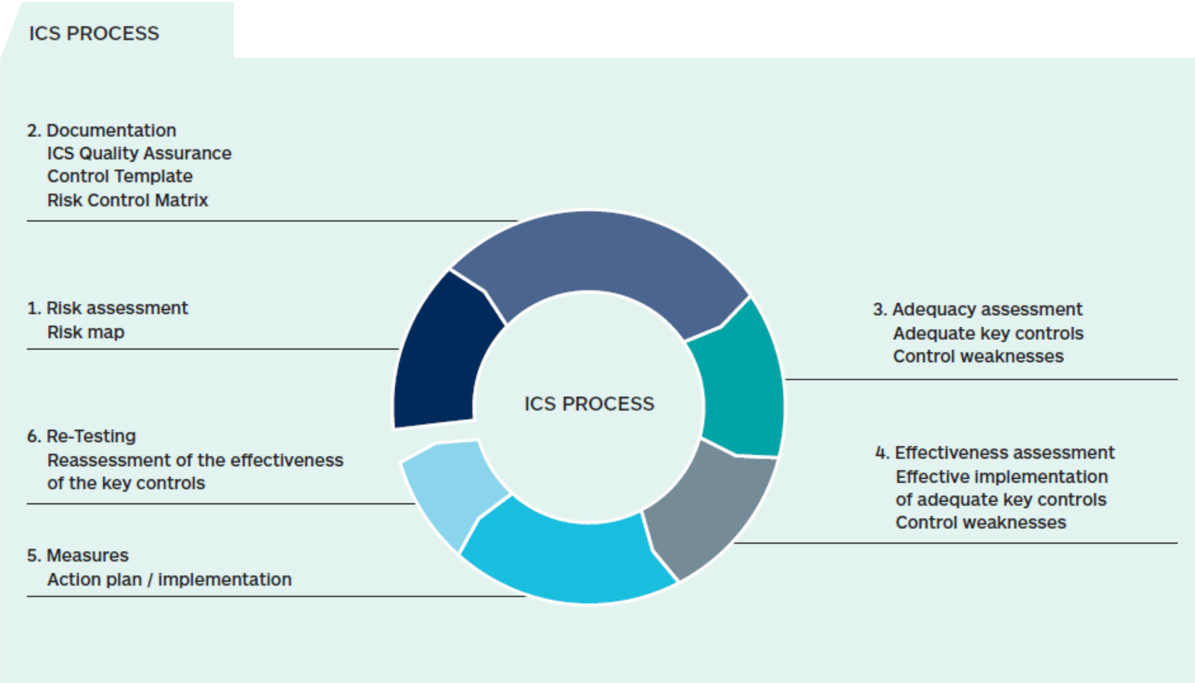
The Bank’s ICS aims to provide reasonable assurance regarding compliance with applicable legal requirements, the propriety and efficiency of business activities, and the completeness and accuracy of financial reporting.

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 balance sheet 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; the Bank's ICS Officer monitors the implementation of these measures. Optimised controls are then tested for their appropriateness and effectiveness.



The Bank's ICS is based on the 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 mandatory documents are summarised in the Bank's organisational handbook and are accessible to all staff members via the Bank's intranet.

Material transactions are processed according to the principle of dual control. Business processes ensure the necessary separation of functions and IT systems. The personnel and technical resources allocated to a process are adjusted to suit the corresponding scope and nature of the business activity.

In individual cases, risks are deliberately taken as part of the risk strategy, e.g. on the basis of cost/benefit considerations. For risks that do not result from original business practices, the Bank has implemented a procedure for assuming these risks. The risks to be assumed must be assessed and approved by the appropriate authorities.

Risk Control function

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

Compliance function

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

Internal Auditing

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

Sustainability report

Sustainability as a strategic factor

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.

As a full subsidiary of NORD/LB Girozentrale, NORD/LB CBB is an integral part of the separate non-financial report which is prepared in accordance with the requirements of the CSR Directive Implementation Act. It thus uses the provision of the Article 19a, paragraph 3 of the CSR Directive drafted by the European Parliament and the Council of the European Union, whereby companies are exempt from preparing their own non-financial report, provided they are a subsidiary that is consolidated in the group's management report or separate non-financial report. More information is available on the website www.nordlbcbb.lu/Sustainability.

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, 7 September 2020

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 2020 compared with the period from 1 January to 30 June 2019:

	Notes	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Net interest income	**(8)**	**59,012**	**60,259**	**-2**
Interest income from assets		203,175	242,205	-16
Interest expenses from assets		-1,220	-4,705	-74
Interest expenses from liabilities		-149,899	-185,792	-19
Interest income from liabilities		6,956	8,551	-19
Dividend income		0	0	-
Net commission income	**(9)**	**-29,819**	**-25,046**	**19**
Commission income		3,876	7,053	-45
Commission expenses		-33,696	-32,099	5
Profit/loss from financial instruments		**-8,764**	**2,968**	**< -100**
Trading profit/loss	(10)	-1,715	1,476	< -100
Profit/loss from financial assets mandatorily at fair value through profit or loss	(10)	-1,588	11,706	< -100
Profit/loss from financial instruments designated at fair value through profit or loss	(10)	-6,081	-22,091	-73
Modification profit/loss	(11)	-47	0	> 100
Net valuation allowance from financial instruments not measured at fair value through profit or loss	(11)	-1,368	3,760	< -100
Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss	(12)	-3,031	-6	> 100
Profit/loss from hedge accounting	(13)	4,553	8,008	-43
Profit/loss from foreign exchange	(14)	512	51	> 100
Profit/loss from shares in companies		0	64	-100
Administrative expenses	**(15)**	**-12,553**	**-14,722**	**-15**
Current amortisation and depreciation	**(16)**	**-2,919**	**-1,988**	**47**
Other operating profit/loss	**(17)**	**-7,638**	**-10,749**	**-29**
Earnings before taxes		**-2,683**	**10,723**	**< -100**
Income taxes	**(18)**	**668**	**-3,137**	**< -100**
Earnings after taxes		**-2,015**	**7,586**	**< -100**

Condensed statement of comprehensive income

The total income for the first half of 2020 consists of the income and expenses recognised in the income statement and directly in equity.

Condensed statement of comprehensive income of NORD/LB CBB for the period from 1 January to 30 June 2020 compared with the period from 1 January to 30 June 2019:

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Net profit	**-2,015**	**7,586**	**< -100**
Other comprehensive income that will not be reclassified to the income statement in subsequent periods	**2,705**	**-806**	**< -100**
Change in financial liabilities designated at fair value through profit or loss that are attributable to the change in credit risk	3,604	-975	< -100
Revaluation of net liability from defined benefit plans	0	0	-
Deferred taxes	-899	169	< -100
Other comprehensive income that will be reclassified to the income statement in subsequent periods	**-1,703**	**13,847**	**< -100**
Changes in financial assets at fair value directly in equity	-2,269	17,948	< -100
Unrealised profit/losses	-2,269	17,948	< -100
Reclassification based on realised profits/losses, including reclassifications to financial assets at fair value through profit or loss	0	0	-
Deferred taxes	566	-4,100	< -100
Other profit/loss	**1,002**	**13,041**	**-92**
Comprehensive income for the period under review	**-1,013**	**20,627**	**< -100**

Balance sheet

of NORD/LB CBB as at 30 June 2020 compared with the reporting date 31 December 2019:

Assets	Notes	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Cash reserve		**8.1**	**11.6**	**-30**
Trading assets	**(19)**	**210.4**	**138.2**	**52**
Of which: Loans and advances to banks		0.0	0.0	-
Of which: Loans and advances to customers		0.0	4.2	-100
Financial assets mandatorily at fair value through profit or loss	**(19)**	**774.0**	**822.2**	**-6**
Of which: Loans and advances to banks		2.8	6.9	-59
Of which: Loans and advances to customers		0.0	0.0	-
Financial assets at fair value through profit or loss		**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	**(20)**	**1,781.0**	**1,939.4**	**-8**
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	**(21)**	**10,831.8**	**12,233.1**	**-11**
Of which: Loans and advances to banks		666.8	732.1	-9
Of which: Loans and advances to customers		8,633.8	9,953.6	-13
Positive fair values from hedge accounting derivatives		**379.9**	**312.9**	**21**
Property and equipment	**(22)**	**43.9**	**45.0**	**-2**
Investment property	**(22)**	**19.4**	**19.6**	**-1**
Intangible assets	**(23)**	**28.8**	**30.2**	**-5**
Current income tax assets		**5.0**	**3.0**	**69**
Deferred income tax assets		**0.6**	**1.3**	**-50**
Other assets	**(24)**	**3.8**	**5.1**	**-24**
Total assets		**14,086.8**	**15,561.6**	**-9**

Liabilities	**Notes**	**30 Jun. 2020 (in € million)**	**31 Dec. 2019 (in € million)**	**Change (in %)**
Trading liabilities	**(25)**	**93.5**	**121.6**	**-23**
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	**(25)**	**1,556.5**	**1,560.1**	**0**
Of which: Liabilities to banks		0.0	0.0	-
Of which: Liabilities to customers		0.0	0.0	-
Of which: Securitised liabilities		1,556.5	1,560.1	0
Of which: Subordinated liabilities		0.0	0.0	-
Financial liabilities at amortised cost	**(26)**	**11,094.9**	**12,645.3**	**-12**
Of which: Liabilities to banks		4,177.3	6,105.8	-32
Of which: Liabilities to customers		2,687.7	2,631.7	2
Of which: Securitised liabilities		4,229.9	3,907.8	8
Of which: Subordinated liabilities		0.0	0.0	-
Negative fair values from hedge accounting derivatives		**593.5**	**480.2**	**24**
Provisions	**(27)**	**7.5**	**11.6**	**-35**
Current income tax liabilities		**8.5**	**8.5**	**0**
Deferred income tax liabilities		**10.3**	**10.6**	**-3**
Other liabilities	**(28)**	**15.8**	**16.4**	**-3**
Equity	**(29)**	**706.2**	**707.2**	**0**
Of which: Issued capital		205.0	205.0	0
Of which: Retained earnings		472.1	474.1	0
Of which: Other comprehensive income (OCI)		29.2	28.2	4
Total liabilities and equity		**14,086.8**	**15,561.6**	**-9**

Condensed cash flow statement

Condensed statement of comprehensive income of NORD/LB CBB for the period from 1 January to 30 June 2020 compared with the period from 1 January to 30 June 2019:

	1 Jan. 2020-30 Jun. 2020 (in € million)	1 Jan. 2019-30 Jun. 2019 (in € million)	Change (in %)
Cash and cash equivalents as at 01.01.	**11.6**	**443.4**	**-97**
Cash flow from operating activities	-2.9	-423.7	-99
Cash flow from investing activities	-0.2	-6.8	-98
Cash flow from financing activities	-0.5	0.0	> 100
Total cash flow	**-3.5**	**-430.5**	**-99**
Cash and cash equivalents as at 30.06.	**8.1**	**12.8**	**-37**

Condensed statement of changes in equity

of NORD/LB CBB for the period from 1 January to 30 June 2020:

			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 1 Jan. 2020	**205.0**	**474.1**	**31.9**	**-1.9**	**-1.9**	**707.2**
Period surplus	0.0	-2.0	0.0	0.0	0.0	-2.0
Changes in financial assets at fair value directly in equity	0.0	0.0	-2.3	0.0	0.0	-2.3
Changes in financial liabilities designated at fair value through profit or loss that are attributable to the changes in credit risk	0.0	0.0	0.0	3.6	0.0	3.6
Deferred taxes	0.0	0.0	0.6	-0.9	0.0	-0.3
Comprehensive income for the period under review	**0.0**	**-2.0**	**-1.7**	**2.7**	**0.0**	**-1.0**
Equity as at 30 Jun. 2020	**205.0**	**472.1**	**30.2**	**0.8**	**-1.9**	**706.2**

of NORD/LB CBB for the period from 1 January to 31 December 2019:

			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 1 Jan. 2019	**205.0**	**455.5**	**26.0**	**-3.5**	**-1.6**	**681.4**
Distribution	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Net profit	0.0	18.5	0.0	0.0	0.0	18.5
Changes from financial assets at fair value directly in equity	0.0	0.0	7.5	0.0	0.0	7.5
Changes in financial liabilities designated at fair value through profit or loss that are attributable to the changes 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	-0.4	-0.4
Deferred taxes	0.0	0.0	-1.5	-0.6	0.1	-2.0
Comprehensive income for the period under review	**0.0**	**18.5**	**6.0**	**1.6**	**-0.3**	**25.9**
Equity as at 31 Dec. 2019	**205.0**	**474.1**	**31.9**	**-1.9**	**-1.9**	**707.2**

Condensed selected Notes

Consolidated 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 2020 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 2019.

The condensed interim financial statements as at 30 June 2020 comprise the balance sheet, the condensed income statement, 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 2020 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 2020, 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 7 September 2020 and approved for publication.

(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:

This interim report includes a restatement made as at 30 June 2019 in the reporting of profit/loss from lending provisions, which moved € 281 thousand from other operating profit/loss to the net valuation allowance from financial instruments not measured at fair value through profit or loss. With the exception of the effects described above, there are no effects on the presentation of the values in the balance sheet, income statement, cash flow statement or statement of changes in equity.

See also ((11) Net valuation allowance from financial instruments not measured at fair value through profit or loss) and ((17) Other operating profit/loss).

(in € thousand)	Total before restatement	Total after restatement
Other operating profit/loss	3,479	3,760
Net valuation allowance from financial instruments not measured at fair value through profit or loss and modification.	-10,468	-10,749

(3) Explanation of the balance sheet effects of the guarantee agreements from the support contract of the NORD/LB Group

The support contract provides for various risk-reducing measures for the purposes of boosting capital:

Granting of three guarantees by the state of Lower Saxony to protect specific loan portfolios from the Ship Customers/ Maritime Industries Customers and Aircraft Customers segments with effect from the date of execution of the support contract. For the Ship Customers / Maritime Industries Customers loan portfolio, the guarantees cover the net carrying amount of a portfolio with non-performing loans (NPL) totalling around € 0.5 billion to protect the total guarantee amount of maximum € 0.5 billion and another portfolio with performing loans (PL) to protect the gross carrying amount with a total guarantee amount of around € 1.4 billion. For the Aircraft Customers segment, a portfolio with a total guarantee amount of around € 1.4 billion was secured. The guarantee amounts relating to the hedging of gross carrying amounts derive from the original loan amounts denominated in foreign currency, among other things.

Furthermore, the support contract provides for an exemption of the Bank by the state of Lower Saxony from risks associated with the potentially increased health-care benefits payable by NORD/LB to its retirees and employees up to an amount of € 200 million.

Within the framework of the three guarantee contracts, the state of Lower Saxony assumes, as of the execution date of 23 December 2019 and for the benefit of the Norddeutsche Landesbank Girozentrale and NORD/LB Luxemburg S.A. Covered Bond Bank, the unconditional, irrevocable and non-subordinate guarantee to hedge against the loss risks of certain ship and aircraft finance portfolios.

In the consolidated balance sheet of NORD/LB, the guarantee agreements are posted as credit derivatives and measured at fair value, as, viewed individually, they do not fulfil the prerequisites of the applicable accounting standards for the presence of a financial guarantee. These derivatives cannot be recognised as collateral for the transactions in the hedged portfolios that reduce the need for risk provisions, due to the principle of individual valuation. This is why all transactions in the guarantee portfolios are still subject to risk provisioning and/or ongoing fair value measurement even after the guarantee contracts have been executed. The hedging effect of the derivatives impacts the income statement of the Bank by way of compensatory recognition of the opposing valuation effects (risk provision and fair value changes) of the guarantee portfolios and the change in value of the derivatives resulting from the hedged risks. In this context, shifts in periods as regards the compensatory effect may occur during the term of the guarantees due to methodological valuation differences. These differences are only temporary, as the market value of the derivatives over the term of the respective guarantee approaches the final settlement amount, which corresponds to the sum of the guarantor's contractual obligations to pay arising from guarantee claims.

Please refer to Note ((4) Development of the guarantee portfolios as at 30 June 2020) for further information on the effects of the guarantee agreements on the balance sheet at NORD/LB CBB and their development in 2020.

The guarantee agreements end at the earliest either when the respective guarantee portfolio has been fully wound up and all outstanding payment obligations have been settled (variable end date) or on 31 December 2024 (fixed end date; this does not apply to the NPL portfolio guarantee). The earlier date applies for each guarantee contract. The fixed end date may be extended by a further year within the first ten business days of each year if there are mismatches between the remaining term of the guarantee contracts and the receivables secured. The extension option was exercised for the first time in 2020.

(4) Development of the guarantee portfolios as at 30 June 2020

The development of the hedged assets and liabilities and the guarantee amount shown as a hedging derivative in the reporting period for each guarantee is presented below. These are broken down by balance sheet item and measurement approach, as well as off-balance sheet transactions and IFRS 9 loan loss provisions recognised for the portfolios by impairment level. The fair values of the derivatives shown reflect expected and actual guarantee payments made by the guarantor and future guarantee commission payments. The fair value of derivatives includes all valuation-relevant changes attributable to the risks (in particular credit default risks) hedged.

The total fair value of derivatives is also influenced by deferred commission expenses totalling € 1.6 million as at 30 June 2020. Of the guarantee portfolios described in Note ((3) Explanation of the balance sheet effects of the guarantee agreements from the support contract) NORD/LB CBB is only concerned with the performing loan portfolios of the maritime industries (Maritime Industries) and aircraft (Aviation) segments. The Bank does not report any exposure within the portfolios of non-performing loans (NPL).

Portfolio: Maritime Industries in € million	Opening balance 1 Jan. 2020	Change in inventories including risk provisions Consumption 1 Jan. -30 Jun. 2020	Changes in fair value, risk provisioning P&L 1 Jan. -30 Jun. 2020	Currency translation 1 Jan. -30 Jun. 2020	Closing balance 30 Jun. 2020
Financial assets measured at amortised cost - gross carrying amount of loans and advances to customers	104.4	-22.6	0.0	1.3	83.1
Loan loss provisions - Level 1	-0.2	0.0	0.1	0.0	-0.1
Loan loss provisions - Level 2	0.0	0.0	-1.9	0.0	-1.9
Loan loss provisions - Level 3	0.0	0.0	0.0	0.0	0.0
Total assets	**104.2**	**-22.6**	**-1.8**	**1.3**	**81.2**
Provisions in the lending business - Level 1	0.0	0.0	-0.9	0.0	-0.8
Provisions in the lending business - Level 2	0.0	0.0	0.0	0.0	0.0
Provisions in the lending business - Level 3	0.0	0.0	0.0	0.0	0.0
Total liabilities	**0.0**	**0.0**	**-0.9**	**0.0**	**-0.9**
Loan commitments	72.6	-8.5	0.0	0.6	64.7
Total off balance sheet	**72.6**	**-8.5**	**0.0**	**0.6**	**64.7**
Value of the hedged portfolio	**176.8**	**- 31.1**	**- 1.8**	**1.9**	**145.9**
Hedging derivative	**14.9**	**0.0**	**- 1.5**	**0.0**	**13.4**

Portfolio: Aviation in € million	Opening balance 1 Jan. 2020	Change in inventories including risk provisions Consumption 1 Jan. -30 Jun. 2020	Changes in fair value, risk provisioning P&L 1 Jan. -30 Jun. 2020	Currency translation 1 Jan. -30 Jun. 2020	Closing balance 30 Jun. 2020
Financial assets measured at amortised cost - gross carrying amount of loans and advances to customers	7.9	-0.4	0.0	0.1	7.6
Loan loss provisions - Level 1	0.0	0.0	0.0	0.0	0.0
Loan loss provisions - Level 2	0.0	0.0	0.0	0.0	0.0
Loan loss provisions - Level 3	0.0	0.0	0.0	0.0	0.0
Total assets	**8.0**	**-0.4**	**0.0**	**0.1**	**7.6**
Provisions in the lending business - Level 1	0.0	0.0	0.0	0.0	0.0
Provisions in the lending business - Level 2	0.0	0.0	0.0	0.0	0.0
Provisions in the lending business - Level 3	0.0	0.0	0.0	0.0	0.0
Total liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loan commitments	0.0	0.0	0.0	0.0	0.0
Total off balance sheet	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Value of the hedged portfolio	**7.9**	**- 0.4**	**0.0**	**0.1**	**7.6**
Hedging derivative	**- 0.4**	**0.0**	**0.1**	**0.0**	**- 0.3**

(5) Effects of the COVID-19 pandemic on the NORD/LB CBB interim report

The novel COVID-19 virus developed into a global pandemic within the first half of 2020 and is now affecting the entire global economy. The Luxembourg financial centre and NORD/LB CBB are also affected by the direct and indirect effects of the pandemic, which are already reflected in these interim financial statements.

Effects from the COVID-19 pandemic are reflected in particular in the net valuation result from financial assets not measured at fair value through profit or loss in the form of increased risk provisioning requirements. Increased risk provisioning requirements were identified in particular for one exposure in the hotel sector and exposures in shipping. A decision was also taken within the NORD/LB Group to establish a management adjustment (MAC-19) for performing loans in accordance with IFRS 9, to anticipate short-term effects on loan loss provisions in accordance with IFRS as early as in the 2020 interim financial statements. The objective of the MAC-19 is to take into account the expected effects of the COVID-19 pandemic in risk provisioning at the end of the year. Here the focus is on effects from expected rating downgrades. For NORD/LB CBB, the amount posted to hedge against the expected effects from the COVID-19 pandemic amounts to € 1.0 million. In the first six months of the year, NORD/LB CBB did not grant any deferrals of interest and principal payments within the scope of the state-organised moratorium on consumer loan agreements. Additionally, few individual measures were agreed with regard to the adjustment of contract contents in the lending business. This did not have a significant impact on the earnings position. Please refer to Notes ((11) Net valuation allowance from financial instruments not measured at fair value through profit or loss) and ((32) Loan loss provisions and gross carrying amount) for further information.

Another effect of the COVID-19 pandemic is the increase in hidden liabilities within debt securities and other fixed-income securities measured at amortised cost. Hidden liabilities increased by € 27.4 million to € 168.7 million in the first half of the year, primarily due to the increase in credit risk and can be observed almost entirely within the US Muni portfolio. Please refer to Note ((31) Fair value hierarchy) for further information on high liabilities and reserves.

There were no negative effects for NORD/LB CBB on funding on the money and capital markets or on its liquidity during the reporting period. Both short-term and long-term funding proceeded smoothly, as was evident from the issue of a € 500.0 million 7-year Lettres des Gage publiques in June 2020. The Bank does not anticipate any problems either with regard to the adequate procurement of funding and liquidity throughout the rest of the year.

NORD/LB CBB does not see any sustained and significant negative effects as at 30 June 2020 arising from the real estate held for investment. Rental deferrals granted as at the balance sheet date are temporary and largely non-existent. The discounts currently seen in the Luxembourg real estate sector remain very low. The Bank therefore currently sees no need for an extraordinary impairment loss on the property held for investment.

In addition to the preceding notes, reference is made to the statements in the interim management report and the risk report.

(6) 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 2019. The following amendments to the standards requiring application as at 1 January 2020 were applied by NORD/LB CBB for the first time during the reporting period:

Amendments to IFRS 3 – Definition of a business

In October 2018, IFRS 3 Business Combinations was revised with regard to the definition of a business. This does not affect the Bank's current financial statements, as there are currently no circumstances to which the amendments apply.

Amendments to IFRS 9, IAS 39 and IFRS 7 – IBOR reform

In September 2019, the IASB published amendments to IFRS 9, IAS 39 and IFRS 7 in order to respond to possible effects on financial reporting as a result of the reform of reference interest rates (IBOR reform). Until the reform of the refinancing interest rates is completed, hedge accounting relief will be granted so hedging relationships do not have to be dissolved as a result of the IBOR reform. NORD/LB CBB avails of the relief, to counter the effects of the IBOR reform and to be able to continue hedging relationships.

Amendments to IAS 1 and IAS 8 – Definition of materiality

The amendments to IAS 1 and IAS 8 published at the end of October 2018 tighten up the definition of "materiality" by standardising the definition in all IFRS and the Conceptual Framework, clarifying the definition of "material" as well as the issue of "obscuring material and immaterial information". The definition of "primary users" for this purpose was also clarified. The new definition of "materiality" is contained in IAS 1, while the previous definition in IAS 8 is replaced by a reference to IAS 1. This has not had any effect on the present report of NORD/LB CBB.

Amendments to references to the framework in IFRS standards

In line with the IASB framework that was amended in 2018, "Amendments to references to the framework in IFRS Standards", which amended the references to the conceptual framework in various standards and interpretations, were published. The amendments, which are applicable as of 1 January 2020, have not had any effect on the Bank'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 balance sheet date and income and expenses for the reporting period. Actual events may deviate from the estimates made by management.

Segment reporting

Segment reporting by business segment

Segment reporting is in accordance with IFRS 8 and seeks 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").

Group Service & B2B

One fundamental concept in this segment is the use of infrastructure employed by the Bank itself along with available know-how to offer services for third parties (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 Group Service / B2B 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.

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

	Segments				
In € thousand (1 Jan. 2020 - 30 Jun. 2020 / 1 Jan. 2019 - 30 Jun. 2019)	**Financial Markets & Sales**	**Loans**	**B2B Inhouse**	**Bank Management & Other**	**Total**
Net interest income	**12,576**	**43,954**	**210**	**2,273**	**59,012**
Previous year	*10,479*	*46,931*	*539*	*2,311*	*60,259*
Net commission income	**-337**	**-29,391**	**-91**	**0**	**-29,819**
Previous year	*2,131*	*-26,647*	*-529*	*-1*	*-25,046*
Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss	**-3,031**	**0**	**0**	**0**	**-3,031**
Previous year	*-6*	*0*	*0*	*0*	*-6*
Profit/loss from financial instruments at fair value through profit or loss Financial instruments	**-6,872**	**-601**	**0**	**-1,911**	**-9,384**
Previous year	*-9,612*	*0*	*0*	*704*	*-8,909*
Profit/loss from hedge accounting	**0**	**0**	**0**	**4,553**	**4,553**
Previous year	*0*	*0*	*0*	*8,008*	*8,008*
Profit/loss from foreign exchange	**512**	**0**	**0**	**0**	**512**
Previous year	*51*	*0*	*0*	*0*	*51*
Other operating profit/loss	**-506**	**-40**	**385**	**-7,478**	**-7,638**
Previous year	*-1,480*	*-156*	*366*	*-9,479*	*-10,749*
Administrative expenses	**-3,694**	**-3,444**	**-1,936**	**-3,480**	**-12,553**
Previous year	*-4,470*	*-4,404*	*-1,838*	*-4,010*	*-14,722*
Amortisation and depreciation	**-584**	**-584**	**-1,314**	**-438**	**-2,919**
Previous year	*-446*	*-439*	*-703*	*-400*	*-1,988*
Reorganisation result	**0**	**0**	**0**	**0**	**0**
Previous year	*0*	*0*	*0*	*0*	*0*
Modification profit/loss	**0**	**-47**	**0**	**0**	**-47**
Previous year	*0*	*0*	*0*	*0*	*0*
Profit/loss from provisions	**0**	**2,561**	**26**	**0**	**2,588**
Previous year	*3*	*271*	*6*	*0*	*281*
Profit/loss from loan loss provisions – not at fair value through profit or loss	**143**	**-4,104**	**5**	**0**	**-3,955**
Previous year	*989*	*2,488*	*2*	*0*	*3,479*
Profit/loss from shares in companies	**0**	**0**	**0**	**0**	**0**
Previous year	*0*	*0*	*64*	*0*	*0*
Earnings before taxes	**-1,792**	**8,304**	**-2,714**	**-6,481**	**-2,683**
Previous year	*-2,362*	*18,044*	*-2,093*	*-2,867*	*10,723*

Taxes				**668**	**668**
Previous year				*-3,137*	*-3,137*
Net profit/loss for the financial year	**-1,792**	**8,304**	**-2,714**	**-5,813**	**-2,015**
Previous year	*-2,362*	*18,044*	*-2,093*	*-6,004*	*7,586*
30 Jun. 2019 (previous year's figures as at 30 Jun. 2019)					
Segment assets (in € million)	**5,344**	**8,636**	**5**	**101**	**14,087**
Previous year	*6,557*	*9,808*	*37*	*105*	*16,508*
Segment liabilities (in € million) (including equity)	**12,858**	**465**	**17**	**747**	**14,087**
Previous year	*14,592*	*1,077*	*96*	*743*	*16,508*
Risk assets (in € million) (average annual figures)	**829**	**2,304**	**21**	**60**	**3,214**
Previous year (annual average figures)	*1,130*	*3,002*	*33*	*72*	*4,237*
Capital commitment (in € million)	**66**	**184**	**2**	**5**	**257**
Previous year	*90*	*240*	*3*	*6*	*339*
CIR	**182.6%**	**28.9%**	**645.6%**	**-152.8%**	**108.9%**
Previous year	*314.0%*	*23.7%*	*664.8%*	*285.8%*	*69.9%*
RoRaC/RoE*	**-2.9%**	**8.5%**	**-324.5%**	**-169.4%**	**-1.6%**
Previous year	*-3.8%*	*15.0%*	*-119.1%*	*-70.6%*	*6.3%*

*) 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 Jun. 2020 (previous year's figures as at 30 Jun. 2019)	Financial Markets & Sales	Loans	Group Service B2B	Bank Management & Other	Total
Property and equipment, net	**0.0**	**0.0**	**0.0**	**63.3**	**63.3**
Previous year	0.0	0.0	0.0	65.6	**65.6**
Depreciation on property and equipment including investment property, current year	**0.0**	**0.0**	**0.0**	**-1.3**	**-1.3**
Previous year	0.0	0.0	0.0	-1.3	**-1.3**
Intangible assets, net	**0.0**	**0.0**	**0.0**	**28.8**	**28.8**
Previous year	0.0	0.0	0.0	30.3	**30.3**
Amortisation of intangible assets, current year	**0.0**	**0.0**	**0.0**	**-1.6**	**-1.6**
Previous year	0.0	0.0	0.0	-0.7	**-0.7**
Valuation allowances on financial assets, current year	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**
Previous year	1.0	0.0	0.0	0.0	**1.0**

<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 2020 the cost/income ratio was calculated by dividing administrative expenses, including depreciation and amortisation, by the sum of net interest income, net commission income, profit/loss from financial instruments measured at fair value, profit/loss from foreign exchange, profit/loss from hedge accounting, profit/loss on disposal of financial instruments not measured at fair value through profit or loss and other operating profit/loss. As a result of the restatement made as at 30 June 2019 in the reporting of profit/loss from lending provisions, which moved € 0.3 million from other operating profit/loss to the net valuation allowance from financial instruments not measured at fair value through profit or loss, see also ((2) Adjustment of the previous year's figures)), the cost/income ratio as at 30 June 2019 changed from 69.9 per cent to 70.8 per cent.

	30 Jun. 2020	30 Jun. 2019
Cost/income ratio	**108.9%**	**70.8%**
(in € million)		
Administrative expenses including amortisation and depreciation	-15.5	-16.7
Net interest income	59.0	60.3
Net commission income	-29.8	-25.0
Profit/loss from financial instruments measured at FV	-9.4	-8.9
Profit/loss from foreign exchange	0.5	0.1
Profit/loss from hedge accounting	4.6	8.0
Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss	-3.0	0.0
Other operating profit/loss	-7.6	-10.7

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 Jun. 2020	30 Jun. 2019
RoRaC	**-1.6%**	**6.3%**
(in € million)		
Earnings before taxes	-2.7	10.7
Limit for committed capital	328.7	341.8
Committed capital	257.1	338.9

RoA (return on assets) is a key figure for measuring profitability. It is calculated by dividing earnings after taxes by total assets:

	30 Jun. 2020	30 Jun. 2019
RoA	**0.0%**	**0.0%**
(in € million)		
Earnings after taxes	-2.0	7.6
Total assets	14,086.8	15,561.6

Notes to the income statement

(8) 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.

	1 Jan. 2020-30 Jun. 2020- (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Interest income from assets	**201,955**	**237,500**	**-15**
Interest income from financial assets at fair value through profit or loss	**24,735**	**28,188**	**-12**
Interest income from trading assets	21,532	24,266	-11
Interest income from trading derivatives	21,520	23,869	-10
Interest income from loans and advances	11	397	-97
Interest income from financial instruments mandatorily at fair value	3,203	3,922	-18
Interest income from debt securities and other fixed-interest securities	3,112	3,645	-15
Interest income from loans and advances	91	277	-67
Interest income from financial assets at fair value directly in equity	**7,554**	**9,910**	**-24**
Interest income from debt securities and other fixed-interest securities	7,554	9,910	-24
Interest income from financial assets at amortised cost	**131,635**	**144,903**	**-9**
Interest income from debt securities and other fixed-interest securities	27,959	31,883	-12
Interest income from loans and advances	103,676	113,020	-8
Interest income from impaired debt securities and other fixed-interest securities as well as loans and advances	0	0	-
Interest income from hedging derivatives	**42,912**	**59,191**	**-28**
Other interest income and similar income	**1**	**12**	**-96**
Interest expenses from assets	**-4,881**	**-4,705**	**4**
Interest expenses from liabilities	**-142,943**	**-177,241**	**-19**
Interest expenses from financial liabilities at fair value through profit or loss	**-43,692**	**-55,386**	**-21**
Interest expenses from trading liabilities	-32,492	-44,720	-27
Interest expenses from trading derivatives	-32,492	-44,720	-27
Interest expenses from financial liabilities designated at fair value through profit or loss	-11,200	-10,666	5
Interest expenses from securitised liabilities	-11,200	-10,666	5
Interest expenses from financial liabilities at amortised cost	**-65,722**	**-77,539**	**-15**
Interest expenses from deposits	-54,390	-64,035	-15
Interest expenses from securitised liabilities	-11,332	-13,504	-16
Interest expenses from hedging derivatives	**-43,352**	**-52,845**	**-18**
Other interest expenses and similar expenses	**-13**	**-23**	**-41**
Interest income from financial liabilities	**9,836**	**8,551**	**15**
Total	**59,012**	**60,259**	**-2**

(9) 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.

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Commission income	**3,876**	**7,053**	**-45**
Lending and guarantee business	2,782	3,396	-18
Account management and payment transactions	27	63	-58
Security transactions and custody service	964	3,449	-72
Other commission income	104	145	-29
Commission expenses	**-33,696**	**-32,099**	**5**
Lending and guarantee business	-13,239	-8,638	53
Account management and payment transactions	-76	-81	-6
Security transactions and custody service	-401	-501	-20
Brokerage business	-19,631	-21,844	-10
Other commission expenses	-348	-1,034	-66
Total	**-29,819**	**-25,046**	**19**

The increase within expenses from lending and guarantee business results in an amount of € 3.3 million (previous year € 0.0 million) from commission payments to the federal state of Lower Saxony in connection with the assumption of guarantees for part of the loan portfolio from the shipping and aviation industry and additional guarantees from the parent company NORD/LB Girozentrale.

(10) 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).

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Trading profit/loss	**-1,715**	**1,476**	**< -100**
Profit/loss from derivatives	-1,711	1,734	< -100
- Interest-rate risks	916	1,038	-12
- Currency risks	-2,026	696	< -100
- Credit derivatives	-601	0	> 100
Profit/loss from loans and advances held for trading	-4	-257	-98

Profit/loss from financial assets mandatorily at fair value through profit or loss	**-1,588**	**11,706**	**< -100**
Profit/loss from debt securities and other fixed-interest securities	-1,487	11,950	< -100
Profit/loss from loans and advances	-101	-244	-59
Profit/loss from financial instruments designated at fair value through profit or loss	**-6,081**	**-22,091**	**-72**
Profit/loss from securitised liabilities	-6,081	-22,091	-72
Total	**-9,384**	**-8,909**	**5**

(11) Net valuation allowance from financial instruments not measured at fair value through profit or loss including modification profit/loss

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Loan loss provisions for financial assets at fair value directly in equity	**-1**	**-6**	**-91**
Income from reversal of loan loss provisions for			
Debt securities and other fixed-interest securities	12	7	76
Expenses from allocations of loan loss provisions for			
Debt securities and other fixed-interest securities	-12	-13	-3
Loan loss provisions from financial assets at amortised cost	**-3,955**	**1,694**	**< -100**
Income from reversal of loan loss provisions for			
Debt securities and other fixed-interest securities	190	1,006	-81
Loans and advances	1,309	1,226	7
Expenses from allocations of loan loss provisions for			
Debt securities and other fixed-interest securities	-48	-4	> 100
Loans and advances	-5,406	-534	> 100
Allocations to and reversals of provisions in the lending business	**2,588**	**281**	**> 100**
Additions to receivables written off	**0**	**1,791**	**-100**
Modification profit/loss	**-47**	**0**	**> 100**
Direct write-offs	**0**	**0**	**-**
Total	**-1,415**	**3,760**	**< -100**

Changes in loan loss provisions resulted in a negative valuation allowance of € -1,368 thousand (previous year: € 3,760 thousand).

This is mainly due to increased default risks and the associated allocation to risk provisioning Level 2 for an exposure in the hotel sector (€ 2.4 million) and ship financing (€ 1.5 million).

In addition, the COVID-19 pandemic led to increases in risk provisioning totalling €1.0 million on exposures to particularly affected sectors. This primarily affects companies in the logistics sector in the field of port and airport operations.

The positive result from allocations to and reversals of provisions in the lending business is mainly attributable to limit reductions in ship financing. There is thus a partial compensatory effect between the reduction of provisions in the lending business for off-balance-sheet risks and the increase in loan loss provisions for on-balance sheet risks.

Please refer to ((32) Loan loss provisions and gross carrying amount) for further information on risk provisioning.

(12) Net profit/loss on disposal from financial instruments not measured at fair value through profit or loss

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Profit/loss from disposal of financial assets at fair value directly in equity	**0**	**-6**	**-100**
Profit/loss from the disposal of			
debt securities and other fixed-interest securities	0	-6	-100
Profit/loss from the disposal of financial assets at amortised cost	**-3,031**	**0**	**> 100**
Profit/loss from the disposal of			
debt securities and other fixed-interest securities	-3,031	0	> 100
Total	**-3,031**	**-6**	**> 100**

(13) Profit/loss from hedge accounting

The profit/loss from hedge accounting includes the changes in fair value relating to the hedged 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.

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
from hedged underlying transactions	48,471	-11,451	< -100
from derivatives employed as hedging instruments	-43,918	19,459	< -100
Total	**4,553**	**8,008**	**-43**

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.

(14) Foreign exchange result

The foreign exchange result is generally balanced, as currency risks are essentially eliminated. Temporary and minor inefficiencies in this process result in a low profit/loss from foreign exchange.

As at 30 June 2020, it amounted to € 512 thousand (30 June 2019: € 51 thousand).

(15) Administrative expenses

The administrative expenses comprise staff expenses and other administrative expenses:

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Staff expenses	**-8,012**	**-9,283**	**-14**
Wages and salaries	-6,826	-8,064	-15
Social insurance contributions	-638	-734	-13
Expenditure on pension schemes and other benefits	-500	-445	12
Other staff expenses	-47	-39	20
Other administrative expenses	**-4,542**	**-5,439**	**-16**
Costs for IT and communications	-2,468	-2,969	-17
Building occupancy costs	-188	-260	-28
Expenses for marketing, communications and entertainment	-47	-44	7
Personnel-related material expenses	-38	-89	-57
Costs for legal, auditing, appraisal and consulting services	-641	-595	8
Levies and contributions	-352	-511	-31
Expenses from low-value leases	-17	-20	-18
Other administrative expenses	-792	-951	-17
Total	**-12,553**	**-14,722**	**-15**

(16) Current amortisation and depreciation

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Property and equipment	-1,153	-1,324	-13
Intangible assets	-1,613	-664	> 100
Investment property	-154	0	> 100
Total	**-2,919**	**-1,988**	**47**

All the above items result from ordinary depreciation.

(17) Other operating profit/loss

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Other operating income	**1,339**	**386**	**> 100**
Rental income	353	379	-7
Other operating income	986	7	> 100
Other operating expenses	**-8,978**	**-11,135**	**-19**
Expenses from the bank levy	-7,161	-6,137	17
Other taxes	-16	-2,424	-99
Other operating expenses	-1.800	-2.574	-30
Total	**-7,638**	**-10,749**	**-29**

(18) 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.

	1 Jan. 2020-30 Jun. 2020 (in € thousand)	1 Jan. 2019-30 Jun. 2019 (in € thousand)	Change (in %)
Current taxes on income and earnings	668	-3,137	< -100
Deferred taxes	0	0	-
Total	**668**	**-3,137**	**< -100**

(19) 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 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Trading assets	**210.4**	**138.2**	**52**
Positive fair values from derivatives			
Interest-rate risks	91.8	61.2	50
Currency risks	105.3	57.9	82
Credit risk	13.4	14.9	-10
Loans and advances to customers	0.0	4.2	-100
Financial assets mandatorily at fair value through profit or loss	**774.0**	**822.2**	**-6**
Debt securities and other fixed-interest securities	771.2	815.3	-5
Loans and advances to banks	2.8	6.9	-59
Total	**984.4**	**960.4**	**3**

As at 30 June 2020, the Bank had no equity instruments or any assets designated at fair value through profit or loss.

The positive fair value from credit risks resulted from the financial guarantees received from the state of Lower Saxony to hedge the risk of loss in certain ship and aircraft financing portfolios. For further detailed information please refer to Note ((4) Development of the guarantee portfolios as at 30 June 2020).

(20) Financial assets at fair value directly in equity

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Debt securities and other fixed-interest securities	1,781.0	1,939.4	-8
Total	**1,781.0**	**1,939.4**	**-8**

Note ((32) Loan loss provisions and gross carrying amount) presents the changes to loan loss provisions in this item.

(21) Financial assets at amortised cost

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Debt securities and other fixed-interest securities	1,531.2	1,547.5	-1
Loans and advances to banks	666.8	732.1	-9
Loans and advances to customers	8,633.8	9,953.6	-13
Total	**10,831.8**	**12,233.1**	**-11**

Note ((32) Loan loss provisions and gross carrying amount) presents the changes to loan loss provisions in this item.

(22) Property and equipment and investment property

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Land and buildings	41.0	41.2	0
Operating and office equipment	1.6	2.1	-22
Right of use assets from leasing	1.3	1.8	-29
Total	**43.9**	**45.0**	**-2**

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Investment property	19.4	19.6	-1
Total	**19.4**	**19.6**	**-1**

(23) Intangible assets

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Software	28.5	25.6	11
Purchased	28.5	25.6	11
Payments on account and intangible assets under development	0.3	4.6	-94
Total	**28.8**	**30.2**	**-5**

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

(24) Other assets

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Tax assets from other taxes	0.0	0.2	-78
Deferred income	2.9	0.6	> 100
Receivables from intra-Group service charging	4.3	4.3	0
Other assets	-3.3	0.0	< -100
Total	**3.8**	**5.1**	**-24**

(25) 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.

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Trading liabilities	**93.5**	**121.6**	**-23**
Negative fair values from derivatives			
Interest-rate risks	63.8	62.8	2
Currency risks	29.4	58.4	-50
Credit risk	0.3	0.4	-18
Financial liabilities designated at fair value through profit or loss	**1,556.5**	**1,560.1**	**0**
Securitised liabilities	1,556.5	1,560.1	0
Total	**1,650.0**	**1,681.7**	**-2**

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. The change in fair value attributable to changes in the own credit risk of financial liabilities designated at fair value through profit or loss is reported in other comprehensive income (OCI).

(26) Financial liabilities at amortised cost

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Deposits	**6,865.0**	**8,737.5**	**-21**
Deposits of banks	4,177.3	6,105.8	-32
Deposits of customers	2,687.7	2,631.7	2
Securitised liabilities	**4,229.9**	**3,907.8**	**8**
Covered Bonds	2,093.9	1,794.4	17
Other securitised liabilities	2,136.0	2,113.4	1
Total	**11,094.9**	**12,645.3**	**-12**

The increase within Covered Bonds results from an issue of a Lettre de Gage of € 500.0 million in the second quarter of 2020.

The reduction in deposits from customers is due in particular to short-term deposits and counterbalances the issue.

(27) Provisions

Provisions are broken down as follows:

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Provisions for pensions and similar obligations	**3.9**	**3.9**	**0**
Other provisions	**3.7**	**7.8**	**-53**
Provisions for staff	0.4	0.5	-14
Provisions in lending business	1.0	3.5	-72
Provisions for reorganisation measures	2.2	3.7	-39
Other provisions	0.0	0.1	-48
Total	**7.5**	**11.6**	**-35**

Provisions for reorganisation measures mainly result from transformation programmes within the NORD/LB Group. They relate to personnel measures concerning the exploitation of synergies within NORD/LB CBB and the redimensioning of the Group as part of the implementation of the new business model. The provisions are expected to be fully utilised between 2020 and 2023. Due to the large number of individual contractual agreements expected in the future, it was not possible to make a definitive forecast of the amount of the utilisation of the provisions at the time they were recognised.

NORD/LB CBB has not recalculated its provisions for pensions as at 30 June 2020. The applicable discount rate for pension provisions increased as at the reporting date to 1.65 per cent from 1.50 per cent previously. A sensitivity analysis performed on this change shows that it results in a decrease of about € 122 thousand in the provisions for pensions. Most of this decrease is recognised directly in equity without impacting the profit and loss of the period. The Bank decided against changing the provisions for pensions because the 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.

(28) Other liabilities

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Liabilities from short-term employee remuneration	1.1	1.3	-16
Liabilities from accruals and other provisions	3.5	3.9	-10
Liabilities from payable taxes and social insurance contributions	7.3	7.1	3
Deferred income	0.9	1.2	-24
Liabilities from leases	1.3	1.8	-25
Other liabilities	1.7	1.1	49
Total	**15.8**	**16.4**	**-3**

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

(29) Equity

Breakdown of equity:

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Issued capital	205.0	205.0	0
Retained earnings	472.1	474.1	0
Other comprehensive income (OCI)	29.2	28.2	4
Of which: Other comprehensive income that will be reclassified to the income statement in subsequent periods			
Assets at fair value directly in equity	30.2	31.9	-5
Of which: Other comprehensive income that will not be reclassified to the income statement in subsequent periods			
own credit-risk adjustment (OCA)	0.8	-1.9	< -100
Revaluation of net liability from pensions	-1.9	-1.9	0
Total	**706.2**	**707.2**	**0**

(30) Notes to financial instruments

Financial instruments recognised at fair value on the balance sheet

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

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

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 methods 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 for measurement, the 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 CBB 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.

The Level 3 method is used to value portfolios of interest-bearing securities and derivatives for which the market is classified as inactive or for which no significant valuation parameters are observable. This essentially includes:

- Equity-linked structures where valuation takes into account historical volatilities,
- Equity index options, provided that no dividend expectations are observable in the market for the relevant term,
- CMS spread options, as the correlation input is not directly observable, and
- own and third-party issues and forward transactions in such issues, if the credit spread/funding spread is not observable in the market.

At NORD/LB CBB the portfolio guarantees of the State of Lower Saxony reported as credit derivatives are allocated to Level 3. There were no Level 3 securities in the Bank’s portfolio as at 30 June 2020.

In addition, all loans measured at fair value and credit commitments intended for syndication which are shown as derivatives are regularly allocated 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.

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 particularly impacted by this include securities or liabilities whose fair values are based on prices listed on active markets as well as financial instruments, such as OTC derivatives, whose fair values are determined using a measurement method and for which the average quote is an observable input in the measurement 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. NORD/LB CBB 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.

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 and company shares as well as securitised liabilities and subordinated capital.

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.

(31) Fair value hierarchy

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

in € million	30 Jun. 2020					
	Level 1	Level 2	Level 3	Fair value total	Carrying amount	Difference
Assets						
Cash reserve	**8.1**	**0.0**	**0.0**	**8.1**	**8.1**	**0.0**
Trading assets	**0.0**	**197.0**	**13.4**	**210.4**	**210.4**	**0.0**
Positive fair values from derivatives	0.0	197.0	13.4	210.4	210.4	0.0
Interest-rate risks	0.0	91.8	0.0	91.8	91.8	0.0
Currency risks	0.0	105.3	0.0	105.3	105.3	0.0
Credit derivatives	0.0	0.0	13.4	13.4	13.4	0.0
Loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets mandatorily at fair value through profit or loss	**726.6**	**47.4**	**0.0**	**774.0**	**774.0**	**0.0**
Debt securities and other fixed-interest securities	726.6	44.5	0.0	771.2	771.2	0.0
Loans and advances	0.0	2.8	0.0	2.8	2.8	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	**1,434.9**	**346.1**	**0.0**	**1,781.0**	**1,781.0**	**0.0**
Debt securities and other fixed-interest securities	1,434.9	346.1	0.0	1,781.0	1,781.0	0.0
Financial assets at amortised cost	**448.2**	**1,335.3**	**9,082.5**	**10,866.1**	**10,831.8**	**34.2**
Debt securities and other fixed-interest securities	30.1	1,332.5	0.0	1,362.5	1,531.2	-168.7
Loans and advances	418.2	2.8	9,082.5	9,503.6	9,300.6	203.0
Positive fair values from hedge accounting derivatives	**0.0**	**379.9**	**0.0**	**379.9**	**379.9**	**0.0**
Interest-rate risks	0.0	354.3	0.0	354.3	354.3	0.0
Currency risks	0.0	25.6	0.0	25.6	25.6	0.0
Total	**2,617.8**	**2,305.7**	**9,095.9**	**14,019.4**	**13,985.2**	**34.2**

in € million	31 Dec. 2019					
	Level 1	Level 2	Level 3	Fair value total	Carrying amount	Difference
Assets						
Cash reserve	**11.6**	**0.0**	**0.0**	**11.6**	**11.6**	**0.0**
Trading assets	**0.0**	**123.3**	**14.9**	**138.2**	**138.2**	**0.0**
Positive fair values from derivatives	0.0	119.1	14.9	134.0	134.0	0.0
Interest-rate risks	0.0	61.2	0.0	61.2	61.2	0.0
Currency risks	0.0	57.9	0.0	57.9	57.9	0.0
Credit risk	0.0	0.0	14.9	14.9	14.9	0.0
Loans and advances	0.0	4.2	0.0	4.2	4.2	0.0
Financial assets mandatorily at fair value through profit or loss	**794.1**	**28.0**	**0.0**	**822.2**	**822.2**	**0.0**
Debt securities and other fixed-interest securities	794.1	21.1	0.0	815.3	815.3	0.0
Loans and advances	0.0	6.9	0.0	6.9	6.9	0.0

Financial assets at fair value directly in equity	**1,745.8**	**193.6**	**0.0**	**1,939.4**	**1,939.4**	**0.0**
Debt securities and other fixed-interest securities	1,745.8	193.6	0.0	1,939.4	1,939.4	0.0
Financial assets at amortised cost	**485.1**	**1,319.5**	**10,504.9**	**12,309.6**	**12,233.1**	**76.5**
Debt securities and other fixed-interest securities	89.8	1,316.4	0.0	1,406.2	1,547.5	-141.3
Loans and advances	395.3	3.1	10,504.9	10,903.3	10,685.6	217.7
Positive fair values from hedge accounting derivatives	**0.0**	**312.9**	**0.0**	**312.9**	**312.9**	**0.0**
Interest-rate risks	0.0	288.8	0.0	288.8	288.8	0.0
Currency risks	0.0	24.1	0.0	24.1	24.1	0.0
Total	**3,036.6**	**1,977.4**	**10,519.9**	**15,533.9**	**15,457.4**	**76.5**

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

	30 Jun. 2020					
in € million	**Level 1**	**Level 2**	**Level 3**	**Fair value total**	**Carrying amount**	**Difference**
Liabilities						
Trading liabilities	**0.0**	**121.2**	**0.3**	**93.5**	**93.5**	**0.0**
Negative fair values from derivatives	0.0	93.2	0.3	93.5	93.5	0.0
Interest-rate risks	0.0	63.8	0.0	63.8	63.8	0.0
Currency risks	0.0	29.4	0.0	29.4	29.4	0.0
Credit risk	0.0	0.0	0.3	0.3	0.3	0.0
Financial liabilities designated at fair value through profit or loss	**508.3**	**1,048.2**	**0.0**	**1,556.5**	**1,556.5**	**0.0**
Securitised liabilities	508.3	1,048.2	0.0	1,556.5	1,556.5	0.0
Financial liabilities at amortised cost	**2,007.4**	**4,390.9**	**4,871.4**	**11,269.7**	**11,094.9**	**174.9**
Deposits	491.0	1,685.8	4,871.4	7,048.3	6,865.0	183.2
Securitised liabilities	1,516.4	2,705.1	0.0	4,221.5	4,229.9	-8.4
Negative fair values from hedge accounting derivatives	**0.0**	**593.5**	**0.0**	**593.5**	**593.5**	**0.0**
Interest-rate risks	0.0	482.0	0.0	482.0	482.0	0.0
Currency risks	0.0	111.5	0.0	111.5	111.5	0.0
Total	**2,515.7**	**6,153.8**	**4,871.8**	**13,513.3**	**13,338.4**	**174.9**

	31 Dec. 2019					
in € million	**Level 1**	**Level 2**	**Level 3**	**Fair value total**	**Carrying amount**	**Difference**
Liabilities						
Trading liabilities	**0.0**	**121.2**	**0.4**	**121.6**	**121.6**	**0.0**
Negative fair values from derivatives	**0.0**	**121.2**	**0.4**	**121.6**	**121.6**	**0.0**
Interest-rate risks	0.0	62.8	0.0	62.8	62.8	0.0
Currency risks	0.0	58.4	0.0	58.4	58.4	0.0
Credit derivatives	0.0	0.0	0.4	0.4	0.4	0.0
Financial liabilities designated at fair value through profit or loss	**1,106.9**	**453.2**	**0.0**	**1,560.1**	**1,560.1**	**0.0**
Securitised liabilities	1,106.9	453.2	0.0	1,560.1	1,560.1	0.0
Financial liabilities at amortised cost	**2,114.8**	**4,046.3**	**6,719.9**	**12,881.0**	**12,645.3**	**235.7**
Deposits	599.4	1,649.3	6,719.9	8,968.5	8,737.5	231.0

Securitised liabilities	1,515.4	2,397.0	0.0	3,912.5	3,907.8	4.7
Negative fair values from hedge accounting derivatives	**0.0**	**480.2**	**0.0**	**480.2**	**480.2**	**0.0**
Interest-rate risks	0.0	383.3	0.0	383.3	383.3	0.0
Currency risks	0.0	97.0	0.0	97.0	97.0	0.0
Total	**3,221.7**	**5,100.9**	**6,720.3**	**15,042.9**	**14,807.2**	**235.7**

The fair values were determined using the discounted cash flow method based on the yield curves applicable as at 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 € 168.7 million increased by € 24.7 million compared with the previous year (€ 141.3 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:

1 Jan. 2020 - 30 Jun. 2020 (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 mandatorily at fair value through profit or loss	**25.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	25.9	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value directly in equity	**147.0**	**0.0**	**10.2**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	147.0	0.0	10.2	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**595.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Securitised liabilities	595.0	0.0	0.0	0.0	0.0	0.0

The following level transfers took place in the financial year 2019:

1 Jan. 2019 - 31 Dec. 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	**0.0**	**0.0**	**303.7**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	303.7	0.0	0.0	0.0

In the NORD/LB CBB annual report, the guarantee agreements are reported as credit derivatives and measured at fair value in Level 3. In addition to the disclosures in Notes ((3) Explanation of the balance sheet effects of the guarantee agreements from the support contract of the NORD/LB Group) and ((4) Development of the guarantee portfolios as at 30 June 2020) , the following material unobservable inputs are used in the fair value measurement of financial instruments classified in Level 3:

Product	Fair value 30 Jun. 2020 (in € million)	Significant inputs not observable on the market used for fair value calculation	Range of inputs used that are not observable on the market	Weighted average
Derivative assets	13.4	Rating	Rating classes (DSGV scale of 27) 13 - 18	14.5
Derivative liabilities	0.3	Rating	Rating classes (DSGV scale of 27) 9	9

The ratings used are significant input data not observable on the market for the fair value measurement of derivative assets and liabilities. Significant changes to this input data result in a significantly higher or lower fair value. As part of a sensitivity analysis, the ratings were changed by one notch up or down and the effects on fair value and the corresponding effect on the income statement were calculated.

These are shown below:

Portfolio	Change in fair value in € million for rating upgrade of one notch	Change in fair value in € million for rating downgrade of one notch
Ship Customers / Maritime Industry Customers	-10.2	10.2
Aircraft Customers	0.0	0.0

(32) Loan loss provisions and gross carrying amount

The three-stage model under IFRS 9 for measuring loan loss provisions is structured as follows:

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 the loan loss provisions and carrying amounts are presented aggregated at the levels defined in IFRS 9. This is followed by details on the classification methodology and level allocations:

in € million	Gross carrying amount 30 Jun. 2020	Gross carrying amount 31 Dec. 2019
For financial assets		
Level 1	11,914.6	13,643.2
Level 2	696.5	515.0
Level 3	20.9	33.1
Loan commitments, financial guarantees and other off-balance sheet obligations		
Level 1	1,089.3	1,339.3
Level 2	99.0	108.9
Level 3	0.1	0.1
Total	**13,820.4**	**15,639.5**

in € million	Loan loss provisions 30 Jun. 2020	Loan loss provisions 31 Dec. 2019
For financial assets		
Level 1	2.0	2.1
Level 2	8.9	4.9
Level 3	0.2	0.2
For loan commitments, financial guarantees and other off-balance sheet obligations		
Level 1	0.0	0.2
Level 2	0.9	3.3
Level 3	0.1	0.1
Total	**12.1**	**10.7**

in € million	Opening balance as at 01.01. 2020	Transfer			Allocation		Reversal			Other changes					Closing balance as at 30.06. 2020
		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. 2020	Transfer			Allocation		Reversal			Other changes					Closing balance as at 30.06. 2020
		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 amortised cost															
Assets with no significant increase in credit risk (Level 1)	**2.0**	**0.0**	**-0.4**	**0.0**	**1.1**	**0.1**	**0.6**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.9**
Debt securities and other fixed-interest securities	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Loans and advances	1.8	0.0	-0.4	0.0	1.1	0.1	0.6	0.0	0.2	0.0	0.0	0.0	0.0	0.0	1.8

Assets with significant increase in credit risk, not impaired (Level 2)	**4.9**	**0.0**	**0.4**	**0.0**	**3.9**	**0.4**	**0.4**	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**8.9**
Debt securities and other fixed-interest securities	3.9	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	3.8
Loans and advances	1.0	0.0	0.4	0.0	3.8	0.4	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0	5.1
Assets with significant increase in credit risk, impaired (Level 3)	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.2**
Loans and advances	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total	**7.1**	**0.0**	**0.0**	**0.0**	**5.0**	**0.5**	**1.0**	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**11.0**
Total	**7.1**	**0.0**	**0.0**	**0.0**	**5.0**	**0.5**	**1.0**	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**11.1**

	Opening balance as at 01.01. 2020	**Transfer**			**Allocation**		**Reversal**			**Other changes**					**Closing balance as at 30.06. 2020**
in € million		**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)	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loan commitments	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial guarantees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Off-balance sheet items with significant increase in credit risk, not impaired (Level 2)	**3.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.9**
Loan commitments	3.2	0.0	0.0	0.0	0.0	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9
Financial guarantees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Off-balance sheet items with significant increase in credit risk, impaired (Level 3)	**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**
Financial guarantees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2.5**	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.0**

The following table shows the changes to gross carrying amounts in the reporting period for financial assets at fair value through profit or loss, financial assets at amortised cost and loan commitments, financial guarantees and other off-balance sheet obligations.

in € million	Opening balance as at 01.01. 2020	Transfer			Additions to assets	Disposals from assets	Direct write-downs of assets	Other changes			Closing balance as at 30.06. 2020
		to Level 1	to Level 2	to Level 3				Modifications to assets	Currency conversions	Other changes	
Gross carrying amount for financial assets at fair value directly in equity											
Assets with no significant increase in credit risk (Level 1)	**1,939.5**	**0.0**	**0.0**	**0.0**	**19.7**	**179.7**	**0.0**	**0.0**	**1.5**	**0.0**	**1,781.1**
Debt securities and other fixed-interest securities	1,939.5	0.0	0.0	0.0	19.7	179.7	0.0	0.0	1.5	0.0	1,781.1
Total	**1,939.5**	**0.0**	**0.0**	**0.0**	**19.7**	**179.7**	**0.0**	**0.0**	**1.5**	**0.0**	**1,781.1**
Gross carrying amount for financial assets at amortised cost											
Assets with no significant increase in credit risk (Level 1)	**11,703.7**	**7.7**	**-208.5**	**0.0**	**2,243.2**	**3,518.1**	**0.0**	**0.0**	**-94.5**	**0.0**	**10,133.5**
Debt securities and other fixed-interest securities	1,244.2	4.0	0.0	0.0	70.0	108.4	0.0	0.0	-1.6	0.0	1,208.1
Loans and advances	10,447.9	3.8	-208.5	0.0	2,173.2	3,406.2	0.0	0.0	-93.0	0.0	8,917.3
Cash reserve	11.6	0.0	0.0	0.0	0.0	3.5	0.0	0.0	0.0	0.0	8.1
Assets with significant increase in credit risk, not impaired (Level 2)	**515.0**	**-7.7**	**208.5**	**0.0**	**76.2**	**97.1**	**0.0**	**0.0**	**1.6**	**0.0**	**696.5**
Debt securities and other fixed-interest securities	307.4	-4.0	0.0	0.0	31.4	8.8	0.0	0.0	1.0	0.0	327.0
Loans and advances	207.5	-3.8	208.5	0.0	44.8	88.2	0.0	0.0	0.7	0.0	369.4
Assets with significant increase in credit risk, impaired (Level 3)	**33.1**	**0.0**	**0.0**	**0.0**	**13.5**	**25.7**	**0.0**	**0.0**	**0.0**	**0.0**	**20.9**
Loans and advances	33.1	0.0	0.0	0.0	13.5	25.7	0.0	0.0	0.0	0.0	20.9
Total	**12,251.8**	**0.0**	**0.0**	**0.0**	**2,332.9**	**3,640.8**	**0.0**	**0.0**	**-92.8**	**0.0**	**10,850.9**
Total	**14,191.3**	**0.0**	**0.0**	**0.0**	**2,352.6**	**3,820.5**	**0.0**	**0.0**	**-91.3**	**0.0**	**12,632.0**

in € million	Opening balance as at 01.01. 2020	Transfer			Additions to assets	Disposals from assets	Direct write-downs of assets	Other changes			Closing balance as at 30 Jun. 2020
		to Level 1	to Level 2	to Level 3				Modifications to assets	Currency conversions	Other changes	
Gross carrying amount for loan commitments, financial guarantees and other off-balance sheet obligations											
Off-balance sheet items with no significant increase in credit risk (Level 1)	**1,339.3**	**1.8**	**-9.7**	**0.0**	**161.2**	**393.2**	**0.0**	**0.0**	**-10.1**	**0.0**	**1,089.3**
Loan commitments	1,293.1	1.8	-9.7	0.0	152.7	367.9	0.0	0.0	-10.1	0.0	1,059.9
Financial guarantees	46.2	0.0	0.0	0.0	8.5	25.3	0.0	0.0	0.0	0.0	29.3
Off-balance sheet items with significant increase in credit risk, not impaired (Level 2)	**108.9**	**-1.8**	**9.7**	**0.0**	**1.0**	**19.0**	**0.0**	**0.0**	**0.2**	**0.0**	**99.0**
Loan commitments	100.4	-1.8	9.7	0.0	1.0	15.1	0.0	0.0	0.2	0.0	94.4
Financial guarantees	8.5	0.0	0.0	0.0	0.0	3.9	0.0	0.0	0.0	0.0	4.6
Off-balance sheet items with significant increase in credit risk, impaired (Level 3)	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
Loan commitments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial guarantees	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total	**1,448.3**	**0.0**	**0.0**	**0.0**	**162.2**	**412.2**	**0.0**	**0.0**	**-9.9**	**0.0**	**1,188.4**

As already described in Note ((5) Effects of the COVID-19 pandemic on the NORD/LB CBB interim report) a management adjustment (MAC-19) for performing loans in accordance with IFRS 9 was formed at the level of the NORD/LB Group and therefore also at NORD/LB CBB, to anticipate expected short-term effects on loan loss provisions in accordance with IFRS as early as in the 2020 interim financial statements. The objective of the MAC-19 is to take into account the expected effects of the COVID-19 pandemic in risk provisioning at the end of the year.

Here the focus is on effects from expected rating downgrades. It is based on the U scenario of the COVID-19 stress case, which in turn is based on the economic forecasts of NORD/LB Group Research and then transformed by experts in the relevant areas of the Bank into rating and loss ratio shifts. The results were then limited, for the adjustment, to sectors that are particularly severely affected by the pandemic. The basis for this are those sectors for which the forbearance element has been temporarily suspended since 23 March 2020. Furthermore, positions which received a new rating during the pandemic were excluded, as consideration of the COVID-19 pandemic in the systems is assumed here. Effects determined for transactions that had expired or been migrated to the loss column as at 30 June 2020 are likewise not part of MAC-19.

For NORD/LB CBB, the amount posted to hedge against the expected effects of the COVID-19 pandemic amounts to € 1.0 million. The key drivers here are the corporate finance sector and the logistics sector in the area of port and airport operations included in this sector.

	ECL before COVID-19 adjustment (in € thousand)	COVID-19 adjustment (in € thousand)	ECL after COVID-19 adjustment (in € thousand)
Aircraft financing	**-27**	**0**	**-27**
Level 1	-10	0	-10
Level 2	-17	0	-17
Level 3	0	0	0
Corporate financing	**-1,159**	**-969**	**-2,129**
Level 1	-454	-969	-1,423
Level 2	-446	0	-446
Level 3	-259	0	-259
Financial institutions	**-2,657**	**0**	**-2,657**
Level 1	-83	0	-83
Level 2	-2,575	0	-2,575
Level 3	0	0	0
Public administration, schools/universities	**-3,942**	**0**	**-3,942**
Level 1	-139	0	-139
Level 2	-3,803	0	-3,803
Level 3	0	0	0
Private households	**-10**	**0**	**-10**
Level 1	-6	0	-6
Level 2	-4	0	-4
Level 3	0	0	0
Ship financing	**-2,817**	**0**	**-2,817**
Level 1	-53	0	-53
Level 2	-2,764	0	-2,764
Level 3	0	0	0
Structured finance	**-494**	**-12**	**-506**
Level 1	-307	-12	-319
Level 2	-187	0	-187
Level 3	0	0	0
Total	**-11,107**	**-981**	**-12,089**

(33) 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 2020 and at 31 December 2019 are shown in the following table:

30 Jun. 2020 (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	**825.8**	**0.0**	**825.8**	**-532.8**	**0.0**	**-115.5**	**177.5**
Derivatives	575.9	0.0	575.9	-282.9	0.0	-115.5	177.5
Securities lending and repurchase transactions	250.0	0.0	250.0	-250.0	0.0	0.0	0.0
Liabilities	**1,319.5**	**0.0**	**1,319.5**	**-532.8**	**-383.0**	**-399.1**	**4.5**
Derivatives	686.5	0.0	686.5	-282.9	0.0	-399.1	4.5
Securities lending and repurchase transactions	633.0	0.0	633.0	-250.0	-383.0	0.0	0.0

31 Dec. 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	**530.6**	**0.0**	**530.6**	**-386.7**	**0.0**	**-143.9**	**0.0**
Derivatives	430.6	0.0	430.6	-286.7	0.0	-143.9	0.0
Securities lending and repurchase transactions	100.0	0.0	100.0	-100.0	0.0	0.0	0.0
Liabilities	**1,793.4**	**0.0**	**1,793.4**	**-386.7**	**-1,090.4**	**-309.7**	**6.5**
Derivatives	601.0	0.0	601.0	-286.7	0.0	-309.7	4.5
Securities lending and repurchase transactions	1,192.5	0.0	1,192.5	-100.0	-1,090.4	0.0	2.0

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.

(34) 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 Jun. 2020	Nominal values on 31 Dec. 2019	Positive market values on 30 Jun. 2020	Positive market values on 31 Dec. 2019	Negative market values on 30 Jun. 2020	Negative market values on 31 Dec. 2019
Interest-rate risks	**6,375.9**	**6,248.8**	**446.0**	**350.0**	**545.8**	**446.1**
Interest rate swaps	6,375.9	6,159.8	446.0	350.0	545.8	446.1
Caps, floors	0.0	0.0	0.0	0.0	0.0	0.0
Exchange-traded contracts	0.0	89.0	0.0	0.0	0.0	0.0
Currency risks	**3,110.6**	**3,701.7**	**130.9**	**82.0**	**140.9**	**155.4**
Forward exchange	817.6	1,238.2	4.7	2.1	5.9	8.4
Currency swaps/interest rate (cross-)currency swaps	2,293.0	2,463.5	126.2	79.9	135.0	147.0
Credit derivatives	**121.9**	**121.9**	**13.4**	**14.9**	**0.3**	**0.4**
Credit default swap	121.9	121.9	13.4	14.9	0.3	0.4
Total	**9,608.4**	**10,072.4**	**590.3**	**446.9**	**687.0**	**601.8**

(35) 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.

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 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)
Total risk exposure amount	**2,891.3**	**3,567.0**
Capital requirements for credit risk	220.1	273.7
Capital requirements for operational risks	10.0	11.1
Capital requirements for market risks	0.0	0.0
Capital requirements for loan amount adjustments	0.6	0.6
Other capital requirements	0.5	0.0
Capital requirements	**231.3**	**285.4**

Regulatory capital

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)
Issued capital	205.0	205.0
Reserves	471.8	451.8
Other components of CET 1 capital	29.2	28.2
- Deductible items	-25.2	-38.5
Common Equity Tier 1 capital	**680.7**	**646.5**
Components of additional Tier 1 capital	0.0	0.0
Tier 1 capital	**680.7**	**646.5**
Paid-up instruments of Tier 2 capital	0.0	0.0
Eligible provisions in excess of expected losses under the IRB approach	5.0	2.3
Tier 2 capital	**5.0**	**2.3**
Own funds	**685.7**	**648.7**

Minimum capital ratios

As in the previous year, NORD/LB CBB complied with the regulatory minimum capital ratios at all times in the reporting period.

	30 Jun. 2020 (in %)	31 Dec. 2019 (in %)
Common equity tier 1 capital ratio	23.5%	18.2%
Tier 1 capital ratio	23.5%	18.1%
Total capital ratio	23.7%	18.2%

The common equity tier 1 capital ratio of NORD/LB CBB totalled 23.5 per cent, which is above the regulatory requirement, just like the total capital ratio of 23.7 per cent. The ECB did not impose any stricter requirements on the Bank for 2020 at the individual institution level than those required by the CRR and national legislation implementing the CRD. NORD/LB CBB therefore did not have to comply with any Pillar 2 requirement (“P2R”) provisions in 2020. Taking into account the capital conservation buffer of 2.5 per cent and an anti-cyclical capital buffer of 0.01 per cent, the Overall Capital Requirement (“OCR”) as at 30 June 2020 is at least 7.01 per cent for the common equity tier 1 capital ratio, at least 8.51 per cent for the Tier 1 capital ratio and at least 10.51 per cent for the total capital ratio.

(36) Contingent liabilities and other obligations

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Contingent liabilities	**34.0**	**54.8**	**-38**
Liabilities arising from guarantees and indemnity agreements	34.0	54.8	-38
Other liabilities	**1,154.4**	**1,393.4**	**-17**
Irrevocable loan commitments	1,154.4	1,393.4	-17
Total	**1,188.4**	**1,448.3**	**-18**

(37) Events after the balance sheet date

No significant events occurred between the balance sheet date of 30 June 2020 and the preparation of these financial statements by the Managing Board on 7 September 2020.

(38) 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.

The nature of the transactions with related parties are within the scope of the ordinary business activities of a bank. These include, in particular, funding, raising liquidity through and to the parent company and taking up collateral. All business activities are conducted on an arm's length basis. These transactions are subject to monitoring by the Bank in line with market conditions.

In addition to its ordinary business activities, NORD/LB CBB also participates in projects within the Group. This mainly concerns the "Helios" project, which deals with the core banking IT platform for individual foreign branches of NORD/LB. As a result of this project, a contract was negotiated with NORD/LB which governs the supply of services to operate the core banking software of Avaloq and the data warehouse Fincube, as well as corresponding compensation for NORD/LB CBB.

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 Jun. 2020 (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	**151.2**	**0.0**	**0.0**	**13.4**
Derivatives	151.2	0.0	0.0	13.4
Financial assets mandatorily designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0
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	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	0.0
Financial assets at amortised cost	**5.7**	**0.0**	**22.8**	**0.0**
Loans and advances	5.7	0.0	22.8	0.0
Positive fair values from hedge accounting derivatives	**369.8**	**0.0**	**0.0**	**0.0**
Other assets	**0.0**	**0.0**	**0.0**	**0.0**
Total	**526.7**	**0.0**	**22.8**	**13.4**

31 Dec. 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	**73.8**	**0.0**	**0.0**	**14.5**
Derivatives	73.8	0.0	0.0	14.5
Financial assets mandatorily designated at fair value through profit or loss	**0.0**	**0.0**	**0.0**	**0.0**
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	**0.0**	**0.0**	**0.0**	**0.0**
Financial assets at amortised cost	**0.6**	**0.0**	**25.1**	**0.0**
Loans and advances	0.6	0.0	25.1	0.0
Positive fair values from hedge accounting derivatives	**302.5**	**0.0**	**0.0**	**0.0**
Other assets	**4.2**	**0.0**	**0.0**	**0.0**
Total	**381.1**	**0.0**	**25.1**	**14.5**

30 Jun. 2020 (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	**72.5**	**0.0**	**0.0**	**0.3**
Derivatives	72.5	0.0	0.0	0.3
Financial liabilities designated at fair value through profit or loss	**453.3**	**0.0**	**0.0**	**0.0**
Securitised liabilities	453.3	0.0	0.0	0.0
Financial liabilities at amortised cost	**3,269.6**	**10.1**	**0.0**	**0.0**
Deposits	1,112.9	0.0	0.0	0.0
Securitised liabilities	2,156.7	10.1	0.0	0.0
Negative fair values from hedge accounting derivatives	190.4	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0
Total	**3,985.8**	**10.1**	**0.0**	**0.3**
Guarantees/sureties received	6,533.4	0.0	0.0	154.7
Guarantees/sureties granted	0.0	0.0	0.0	0.0

31 Dec. 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	**100.2**	**0.0**	**0.0**	**0.0**
Derivatives	100.2	0.0	0.0	0.0
Financial liabilities designated at fair value through profit or loss	**453.2**	**0.0**	**0.0**	**0.0**
Securitised liabilities	453.2	0.0	0.0	0.0
Financial liabilities at amortised cost	**4,611.8**	**10.1**	**0.0**	**0.0**
Deposits	2,495.0	0.0	0.0	0.0
Securitised liabilities	2,116.8	10.1	0.0	0.0
Negative fair values from hedge accounting derivatives	**164.5**	**0.0**	**0.0**	**0.0**
Other liabilities	**0.1**	**0.0**	**0.0**	**1.9**
Total	**5,329.8**	**10.1**	**0.0**	**1.9**
Guarantees/sureties received	5,621.4	0.0	0.0	185.0
Guarantees/sureties granted	0.0	0.0	0.0	0.0

1 Jan. 2020 - 30 Jun. 2020 (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	31,857	0	259	0
Interest expenses	66,503	12	0	0
Commission income	0	0	0	0
Commission expenses	28,789	0	0	3,287
Other income and expenses	135,487	0	0	-601
Total	**72,052**	**-12**	259	**-3,888**

1 Jan. 2019 - 30 Jun. 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**

(39) 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 2020 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, 7 September 2020

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

NORD/LB Luxembourg S.A. Covered Bond Bank

7, rue Lou Hemmer

L-1748 Luxembourg-Findel

R.C.S. Luxembourg B 10405

Tel.: +352 452211-1

Fax: +352 452211-319

mailto: contact@nordlb.lu

web: http://www.nordlb.lu