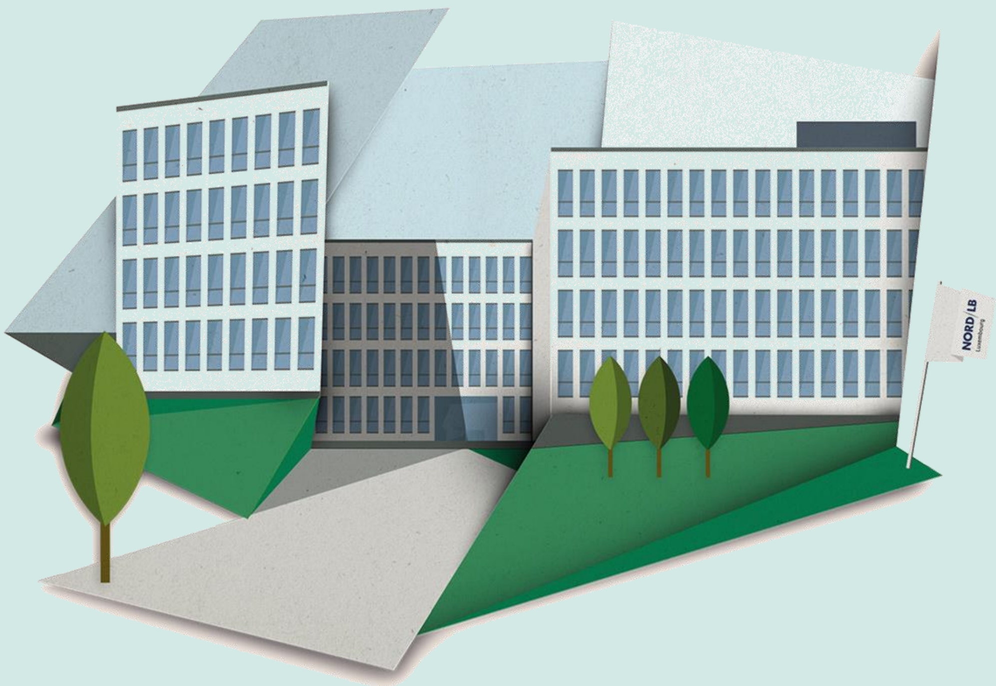
NORD/LB
Covered Bond Bank
Luxembourg



Condensed interim financial statements

according to IFRS

as at 30 June 2017

Summary of key data

Business performance	30.06.2017 (in EUR million)	31.12.2016 (in EUR million)	Change (in EUR million)	Change (in %)
Loans and advances to banks	1,528.6	1,240.5	288.1	23
Loans and advances to customers	7,978.2	8,242.2	-263.9	-3
Risk provisioning	-25.9	-23.3	-2.5	11
Financial assets	4,469.8	5,030.8	-561.1	-11
Other assets	1,905.4	1,446.0	459.4	32
Total assets	**15,856.2**	**15,936.2**	**-80.0**	**-1**
Liabilities to banks	6,576.9	6,612.1	-35.2	-1
Liabilities to customers	3,104.5	3,412.8	-308.3	-9
Securitised liabilities	3,630.2	3,221.8	408.4	13
Other liabilities	1,860.1	1,978.1	-118.0	-6
Reported equity	684.6	711.4	-26.8	-4
Total liabilities and equity	**15,856.2**	**15,936.2**	**-80.0**	**-1**

Earnings performance	First half of 2017 (EUR thousand)	First half of 2016 (EUR thousand)	Change (EUR thousand)	Change (in %)
Net interest income	56,034	45,033	11,001	24
Net commission income *)	-15,773	-12,244	-3,529	29
Profit/loss from financial assets	1,669	5,415	-3,746	-69
Other profit/loss	-5,103	-2,752	-2,351	85
Earnings before costs	**36,827**	**35,452**	**1,376**	**4**
Administrative expenses	-20,338	-18,450	-1,887	10
Profit/loss from valuation changes and risk provisions	-1,224	18,623	-19,847	< -100
Taxes	-3,780	-10,200	6,419	-63
Earnings after taxes	**11,485**	**25,424**	**-13,939**	**-55**

*) Includes commission expenses from margin sharing

Key performance indicators	First half of 2017	First half of 2016	Change	Change (in %)
Cost/income ratio in % **)	55.9%	39.2%	16.7	43
RoRaC in % ***)	8.4%	18.2%	-9.8	-54

**) The cost/income ratio (CIR) is the ratio of administrative expenses to earnings before taxes excluding administrative expenses and risk components (also see Note (3)).

***) The RoRAC is the ratio of earnings before taxes to the maximum value of the limit for committed capital or committed capital (also see Note (3)).

Key regulatory indicators	30.06.2017 (in EUR million)	31.12.2016 (in EUR million)	Change (in EUR million)	Change (in %)
Total risk exposure amount	4,311.5	4,209.7	101.8	2
Tier 1 capital	621.5	625.1	-3.6	-1
Own funds	638.3	649.1	-10.8	-2
Tier 1 capital ratio	14.4%	14.8%	-0.4%	-3
Total capital ratio	14.8%	15.4%	-0.6%	-4

Workforce	30.06.2017	31.12.2016	Change	Change (in %)
Number of employees	194	186	8	4

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

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

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

For the purposes of comparability, this condensed interim report of NORD/LB CBB as at 30 June 2017 refers to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2016, 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 1 January 2016 to 30 June 2016 in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

International economic developments

Economic developments

Global economic conditions improved significantly during the first six months of 2017. Economic growth in the USA was just modest in the first quarter, but a sharp upturn followed in spring. Adjusted for inflation and seasonal factors, gross domestic product (GDP) expanded by 2.6 per cent on an annualised basis in the second quarter. The People's Republic of China also remained on a steady growth trajectory during the same period, with an annual growth rate of 6.9 per cent.

The economic upswing in the eurozone both strengthened and broadened in the first half of the year. After adjusting for seasonal fluctuations, the first two quarters saw increases in real gross domestic product of 0.5 and 0.6 per cent on the respective previous quarter. The annual rate climbed to 2.1 per cent by the middle of the year. While the moderate recovery continued in Italy, growth in the other large economies remained at a very high level in the second quarter. In addition to private and government consumption, the eurozone also saw positive growth momentum as a result of investment activity. Exports also developed well thanks to robust global demand. Domestic demand benefited from a steady decline in the unemployment rate to 9.3 per cent in May. Underemployment fell to its lowest level since March 2009. Business and consumer sentiment is currently better than it has been for years. A variety of indicators underline the powerful and robust upswing currently underway in the eurozone. That said, the inflation rate remains stuck at just short of 1.5 per cent, well below the ECB's target.

In the first half of 2017 the German economy grew much faster than its potential. After a very dynamic start, the German economy took this strong momentum from the beginning of the year into spring. Real gross domestic product expanded in the first quarter of 2017 by 0.6 per cent compared to the previous quarter, and probably even rose again slightly in the second quarter. While the growth pillar of consumption remained strong, both exports and investments developed positively as well. Investments were no longer driven mainly by brisk construction activity; the first six months saw increased investment again in equipment and machinery too. The lively domestic demand profited from inflation, which is still moderate, and from the continued improvement in the health of the labour market. New employment records are being set month after month; after adjusting for seasonal factors, almost 44.2 million people were in gainful employment in May.

The capital markets were impacted during the first six months of the year by the divergent monetary policy strategies being pursued by the central banks in Washington and Frankfurt. As expected, the US Federal Reserve raised the Fed Funds Target Rate moderately in March and June, by 25 basis points each time. These monetary policy measures were anticipated by the financial markets based on clear communication previously from the Fed. At the same time, the Federal Reserve held out the prospect of another increase in the key rate during the second half of the year, and the start of measures to shrink its balance sheet. In the eurozone, the European Central Bank (ECB) continued its very expansive monetary policy in the first half of 2017. However, the robust economic health of the eurozone coupled with the inflation rate being slightly higher again has fuelled debate about when the ECB will start to gradually scale back its expansionary monetary policy. As announced in December, the ECB has already taken its foot off the gas a bit from April, reducing its expanded asset purchase programme (EAPP) to the original level of EUR 60 billion per month. Furthermore, the good economic environment prompted the ECB in June to classify the risks for economic development as balanced. Parallel to this, the easing bias on interest rates was dropped in the forward guidance. By contrast, no changes were made to the EAPP or even to key rates in July, as expected. The output gap is slowly closing, but inflation remains subdued at present. Against this backdrop, there is still a need for considerable support from an accommodative monetary policy, according to Mario Draghi. The ECB President alarmed the markets on 27 June with his speech in Sintra, triggering major market fluctuations. The euro and yields on the capital markets received huge lifts, in spite of the immediate attempts by the ECB to calm things down. European government bond yields rose sharply – particularly at the long end of the curve – with 10-year German Bunds yielding more than 0.6 per cent for a while in July. Draghi's statement that inflation is currently being restrained mainly by temporary factors was new information.

He also pointed out that an unchanged policy stance becomes more accommodative as an upswing progresses. The ECB Governing Council will decide in autumn about the future of the EAPP. With the outlook for the deposit facility rate stable, money market rates remained almost unchanged in negative territory. The US dollar no longer benefited from US monetary policy and weakened considerably against the euro. Political turmoil in Washington has even resulted in a distinctly weak US dollar. After the EUR/USD basis swap spreads contracted towards the end of the first quarter in 2017, they remained within a range of -35 to -30 basis points across all maturities almost consistently until the middle of the year. Under these very calm conditions, the Bank used US dollar liquidity via the cross-currency basis swap market to only a comparatively limited degree.

Covered bond markets and Lettres de Gage publiques

The first six months of 2017 demonstrated that covered bonds are still a key instrument for refinancing banks. A total volume of EUR 77.4 billion was issued, which indicates a good first six months, but this amount is still EUR 15 billion below the previous year's figure. The reasons for this reduced covered bond issue volume include the ECB's TLTRO-II programme as well as a focus by issuers on senior, senior-preferred and subordinated bonds. Just like in previous years, a similar picture emerges with the breakdown of investor types. More than 80 per cent of the euro benchmark issues were taken by banks, central banks and asset managers. Insurance companies and pension funds made up the remainder. It remains to be seen how the breakdown will develop over the coming months (and beyond 2017) if the ECB scales back or terminates its purchase programme (CBPP3).

When looking at the country breakdown of the euro benchmark issues, we find that two well-established jurisdictions, France and Germany, were very active on the capital market, commanding a 37 per cent share of the total volume. Scandinavian issuers were the third-strongest representatives in the country breakdown, accounting for a further 20 per cent. Issuers from peripheral countries were surprisingly weak, especially Spain and Italy with 3.2 per cent each.

In spite of the encouraging first six months of 2017 with the issue volume of EUR 77.4 billion referred to above, covered bond maturities of EUR 88 billion resulted in a continued downsizing of the covered bond market. The contracting market coupled with the fact that the ECB is retaining its positions in covered bonds on the books thanks to its purchase programme means that there is reduced liquidity on the market. This was reflected in the secondary market spreads too, which contracted by roughly 10bp in the first half-year.

The benchmark issues of Nord/LB CBB also performed well during the first six months of the year. The 4.5-year benchmark issue placed in February, for example, contracted by 10bp to swaps. This three-fold oversubscribed issue showed that investor interest in Luxembourg covered bonds remains high, especially because Nord/LB CBB is still the only issuer of Lettres de Gage publiques. The low volume of secondary market sales in the outstanding benchmark issues demonstrates that investors are still convinced of the quality of the cover pool and are confident with NORD/LB CBB as the issuer.

Forecasts and other statements on expected developments

Global economic outlook

The US economy looks set to remain on a solid growth trajectory in the second half of the year, with real economic activity very likely to rise by more than 2 per cent for the year as a whole. However, no major positive effects are likely in 2017 as a result of the new economic policy in Washington. Following the surprisingly strong growth of the Chinese economy in the first half of the year, the latest data indicate that economic activity for the rest of the year will have similar momentum. The dynamic economic upswing in the eurozone will also continue in the coming quarters. Consumer price inflation in the single currency area will remain below the European Central Bank's target in 2017 and 2018.

Economic forecast for Germany and the eurozone

After the German economy grew far in excess of its potential in the first six months, the recent data, which have been very positive on the whole, suggest that similarly strong economic growth can be expected for the second half of the year. In particular, key sentiment indicators, such as the ifo business climate index, are at record levels, signalling that economic growth will be very strong over the course of the year – despite all of the geopolitical risks. NORD/LB forecasts an increase in economic output by 1.8 per cent for the whole of 2017. Without the working day effects pulling the figure down, the growth rate would even be in the region of 2.0 per cent. This is undoubtedly above its potential trajectory, but well below what one would assume when looking solely at the latest ifo data. The macroeconomic capacity utilisation rate therefore continues to rise, albeit at a modest pace. So far there has been no discernible increase in inflationary pressure. The sharp increase in the value of the euro has not yet affected the positive sentiment in the heavily export-based German economy, as confirmed by the rise in the ifo figures on export expectations in July. Nor do we see any risk to the upswing at present stemming from the anti-trust accusations levelled at some German carmakers. It is still not yet clear whether criminal offences have in fact been committed, so it is difficult to assess the potential negative impact based on the limited evidence that is available. That said, the registration ban on a Porsche model put in place by the German Federal Ministry of Transport does catch one's eye in the midst of the emissions scandal. Experience shows, however, that lower sales for some companies are mostly cushioned by other effects. As a result, negative consequences at the macroeconomic level can largely be avoided. This is why we do not see any reason to adjust our forecasts at present.

The driving forces will come from domestic demand, amid robust private and public-sector consumption and brisk construction activity; exports will enjoy very strong growth as well. The macroeconomic outlook for the eurozone has improved further. NORD/LB projects real economic growth of 2.0 per cent for 2017 compared to the previous year. Private consumption will also remain a key pillar here, and investment will increase considerably as well. Monetary policy will remain highly accommodative for the time being, making for a favourable monetary environment. However, this positive economic picture is also exposed to several risks; although they are lurking somewhat in the background at present, they continue to pose a potential menace to economic performance. They include, for example, geopolitical conflicts and the threat of global terrorism, the foreign and economic policy direction taken by the US government under President Donald Trump, the difficult negotiations regarding the UK's exit from the European Union and the upcoming elections in EU Member States, particularly in Italy.

Financial market performance and interest rate forecasts

Following its fourth rate hike in June, the US Fed will continue with its announced plan to gradually tighten monetary policy, making a further rate move this year. However, it will take some time before it returns to a more neutral stance. By contrast, the ECB will continue its ultra-expansive monetary policy for the rest of this year, as regards both its key rates and its asset purchase programme. The Council will decide its future monetary policy strategy in autumn. From 2018 we expect a gradual exit from the purchase programme. With inflation rates normalising and assuming there are no further political shocks, we continue to anticipate that capital market yields will rise slightly; a yield of 0.8 per cent on 10-year Bunds seems realistic by the end of 2017. In the short term, the global monetary policy environment will still favour the US currency. Consequently, the risk of more distinct corrections at the current edge have risen significantly. However, the debate over the ECB's monetary exit will gather steam and again support the euro in the medium term. NORD/LB forecasts that the exchange rate will be USD 1.11 per EUR at the end of the year. In the short to medium term, NORD/LB expects the EUR/USD basis swap spreads to stabilise across all maturities at a level of around -35 basis points. Econometric forecasting models indicate that the yield curve should remain very flat.

Performance in the business segments

Financial Markets & Sales

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

Long-Term Funding

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

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

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

The Covered bond activities carried out from Luxembourg are a supplemental component of the funding for NORD/LB. They provide a valuable contribution to refinancing the core activities of the NORD/LB Group. In addition, they expand the investor base.

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

Moreover, Long-Term Funding represents the Bank in key national and international committees and working groups in the area of the Luxembourg Covered bond.

ALM/Treasury

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

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

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

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

Fixed Income/Structured Product Sales Europe

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

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

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

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

The Group does not take on proprietary risks.

Performance in Financial Markets & Sales

General economic conditions continued to recover in the first half of 2017. The Fed is continuing its approach of slowly but surely tightening monetary policy. With the ECB still pursuing its zero interest rate policy, yield curves languished at an extremely flat level, weighing on earnings once again. In spite of this, the transformation result accounts for roughly 50 per cent of income, making it the dominant component.

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

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

Nord/LB CBB in February successfully issued a benchmark bond in the first six months of 2017 too. Even though the term of 4.5 years was somewhat unusual, Nord/LB CBB generated an order book of approximately EUR 1.5 billion. This clearly shows that Lettres de Gage publiques are very popular among investors. Additionally, private placements amounting to EUR 80 million were also again issued at the long end of the curve.

With a nominal over-collateralisation of 23.5 per cent and a present value of 25.9 per cent as of 30 June 2017, both the requirements by law and under the voluntary self-obligation were comfortably met. The Lettres de Gage publiques euro benchmark issues of Nord/LB CBB continue to qualify as Level 1 assets in LCR management.

Loans

Allied lending business with other Group units is the core business of the CBB.

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

Factoring and export financing

Alongside traditional lending business, the Bank specialises in factoring (individual and pool acquisitions). The factoring business of NORD/LB is a tailored solution for the respective customers involved. Within the NORD/LB Group, this business is mainly handled by NORD/LB CBB. This business line is a key component of NORD/LB CBB's lending business, which is also conducted in close cooperation with the Group. Besides factoring, the Bank also supports the Group in foreign business with individual transactions.

Performance in Loans

The allied lending business is focused on collaborating with partners from NORD/LB's Corporate Customers and Structured Finance departments. New business trends were encouraging again, leading to an increase in the lending portfolio with these areas.

The PPP business and business with undertakings under public law are very important for the Bank. These loans serve as a cover pool for issuing Lettres de Gage publiques. Covered refinancing allows the Bank to offer competitive conditions.

The upward trend in allied lending business volume is also reflected in a stable contribution to interest terms, despite sustained pressure on margins in the loan segment.

Client Services/B2B

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

Outlook

2017 seems to be influenced by the fact that the monetary policies in the two large economic zones, the USA and Europe, are heading in completely different directions. Although growth in the global economy slowed somewhat at the beginning of 2017, it appears that the solidified economic upturn will continue; that said, the European Central Bank continues to adhere to its loose monetary policy. The Fed, one of the large central banks, will continue to tighten its monetary policy in 2017. After a multi-year downslide, raw materials prices may also finally bottom out.

NORD/LB CBB continues its mission of generating additional covered refinancing for the core activities of the NORD/LB Group by issuing Covered bonds under Luxembourg law. In 2017, NORD/LB CBB will also continue to carry out a number of issues in the form of private placements and in benchmark volumes. The sales force will push placements from the new “Corporate debentures” product segment with European investors.

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

Furthermore, the “Client Service & B2B” business segment is focused solely on Group interests.

NORD/LB CBB ratings

In addition to the existing FitchRatings (Fitch), NORD/LB Luxembourg S.A. Covered Bond Bank (NORD/LB CBB) also received an issuer and covered bond rating from Moody's Investors Service (Moody's) at the beginning of 2017. Moreover, the Bank has decided to return the ratings from Standard & Poor's.

As at 30 June 2017, NORD/LB CBB's ratings were as follows:

	FitchRatings	Moody's
NORD/LB Luxembourg Covered Bond Bank		
Long-term/outlook/short-term	A- / stable / F1	Baa3 / negative / P-2
Lettres de Gage publiques/outlook	AAA / stable	Aa1*

*Review for downgrade

NORD/LB CBB in January 2017 received ratings from Moody's for the first time: on 2 January 2017 an issuer rating (long-term / outlook / short-term: "Baa1 / negative / P-2"), and on 3 January 2017 a covered bond rating ("Aa1") for its Lettres de Gage publiques. On 18 April 2017, the long-term issuer rating was downgraded from "Baa1" to "Baa2" with the outlook set at "review for downgrade". As a result of the downgrade, the Lettres de Gage publiques rating was put on review for a downgrade on 19 April 2017. On 30 June 2017, the long-term issuer rating was downgraded from "Baa2" to "Baa3" with a negative outlook. The short-term issuer rating remains unchanged at "P-2".

On 8 February 2017, Fitch Ratings confirmed the rating for the Lettres de Gage publiques at "AAA" with a stable outlook. On 28 March 2017, Fitch Ratings confirmed the Long-Term Issuer Default Rating (IDR) at "A-". The outlook was changed from "stable" to "negative". The Short-Term Issuer Default Rating was confirmed at "F1".

The cover pool of NORD/LB CBB thus received very good ratings from FitchRatings (Fitch) and Moody's Investors Service (Moody's).

Earnings

The interim financial statements of NORD/LB CBB dated 30 June 2017 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 2016 to 30 June 2016, which were prepared and presented in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

The following tables may contain computational rounding differences.

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Net interest income	56,034	45,033	11,001
Loan loss provisions	-2,680	1,924	-4,604
Net commission expenses/income	-15,773	-12,244	-3,529
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	1,456	16,698	-15,243
Other operating profit/loss	-5,103	-2,752	-2,351
Administrative expenses	-20,338	-18,450	-1,887
Profit/loss from financial assets	1,669	5,415	-3,746
Earnings before taxes	**15,266**	**35,624**	**-20,358**
Income taxes	-3,780	-10,200	6,419
Net profit or loss	**11,485**	**25,424**	**-13,939**

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

The breakdown of earnings components is as follows:

Net interest income

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Interest income	240,000	257,950	-17,950
Interest expenses	-186,148	-212,917	26,769
Interest rate anomalies	2,182	**)	-
Net interest income	**56,034**	**45,033**	**11,001**

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

**) Not reported separately as of 30 June 2016, included instead under interest expenses and income.

Net interest income rose sharply compared to the same period in the previous year.

This increase was largely due to the improved net interest income from derivatives (EUR -24,028 thousand, previous year: EUR -52,876 thousand). This stems from several completed transactions and maturities.

By contrast, interest income from securities transactions declined from EUR 72,076 thousand to EUR 58,013 thousand. This is mostly due to maturities as well as a few sales for risk management purposes.

The other main items arose from net interest income from lending and money market transactions (EUR 36,995 thousand, previous year: EUR 40,568 thousand) and interest expenses from securitised liabilities (EUR -14,520 thousand, previous year: EUR -14,478 thousand).

Loan loss provisions

Changes in **loan loss provisions** resulted in expense of EUR -2,680 thousand (previous year: income of EUR 1,924 thousand). The increase in the reporting period stemmed mainly from a net increase in specific valuation allowances on receivables (EUR 2,959 thousand).

In the previous year, the positive earnings contribution was largely due to the reversal of specific valuation allowances on receivables.

Net commission income

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Commission income	8,177	11,146	-2,969
Commission expenses	-23,950	-23,390	-560
Net commission income	**-15,773**	**-12,244**	**-3,529**

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

Net commission income fell year on the previous year by EUR 3,529 thousand to EUR -15,773 thousand.

Commission income was generated principally in lending business and financial guarantees (EUR 3,838 thousand, previous year: EUR 7,363 thousand) and the securities and custody business (EUR 4,001 thousand, previous year: EUR 3,391 thousand). Other commission income (EUR 338 thousand, previous year: EUR 392 thousand) arose mainly from account management and services.

Commission expenses arose principally in the areas of brokerage (EUR -12,393 thousand, previous year: EUR -12,363 thousand), lending business and financial guarantees (EUR -9,678 thousand, previous year: EUR -10,422 thousand) and other commission expenses (EUR -1,879 thousand, previous year: EUR -606 thousand).

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Trading profit/loss	2,409	-11,877	14,286
Profit/loss from the use of the fair value option	2,802	25,536	-22,734
Profit/loss from hedge accounting	-3,756	3,039	-6,795
Profit/loss from financial instruments at fair value through profit or loss including hedge accounting	**1,456**	**16,698**	**-15,243**

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

Profit/loss from financial instruments at fair value through profit or loss (EUR 1,456 thousand, previous year: EUR 16,698 thousand) shows the trading profit/loss proper and the profit/loss from financial instruments voluntarily designated under the fair value option. The trading profit/loss (EUR 2,409 thousand, previous year: EUR -11,877 thousand) was derived from futures and interest rate derivatives largely in hedging relationships with securities and own issues in the dFV category, which are also recognised under profit/loss from the fair value option (EUR 2,802 thousand, previous year: EUR 25,536 thousand). The effects from own credit risk on issues in the dFV category amounted to EUR 1,529 thousand in the reporting year (previous year: EUR -1,189 thousand). Due to economic hedges, changes arose from AfS securities against hedging derivatives which do not satisfy the restrictive requirements of hedge accounting.

The changes in the **profit/loss from hedge accounting** (EUR -3,756 thousand; previous year: EUR 3,039 thousand) are the result of market interest fluctuations as well as OIS and CVA/DVA effects.

Other operating profit/loss

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Other operating income	578	1,024	-446
Other operating expenses	-5,681	-3,775	-1,905
Other operating profit/loss	**-5,103**	**-2,752**	**-2,351**

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

Other operating profit/loss fell by EUR 2,351 thousand to EUR -5,103 thousand.

Other operating income (EUR 578 thousand, previous year: EUR 1,024 thousand) comprises mainly income from cost allocation and rental income.

Other operating expenses (EUR -5,681 thousand, previous year: EUR -3,775 thousand) comprise cost allocation with the NORD/LB Group (EUR -1,466 thousand, previous year: EUR -1,480 thousand) and the bank levy (EUR -3,982 thousand, previous year: EUR -2,148 thousand).

Administrative expenses

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Staff expenses	**-10,813**	**-10,123**	**-690**
Wages and salaries	-9,345	-8,582	-762
Other personnel expenses	-1,469	-1,541	72
Other administrative expenses	**-8,170**	**-6,863**	**-1,308**
Depreciation and value adjustments	**-1,354**	**-1,464**	**110**
Administrative expenses	**-20,338**	**-18,450**	**-1,887**

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

Administrative expenses were EUR 1,887 thousand higher than in the previous year. Costs in connection with implementing supervisory requirements were the primary reason for this increase.

Profit/loss from financial assets

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Profit/loss from financial assets classified as LaR including general loan loss provisions	1,924	727	1,198
Profit/loss from financial assets classified as AfS (without investments)	-255	4,688	-4,943
Profit/loss from financial assets	**1,669**	**5,415**	**-3,746**

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

Profit/loss from financial assets is composed of profit/loss from financial assets in the loans and receivables category (EUR 1,924 thousand; previous year: EUR 727 thousand) and profit/loss from financial assets in the available for sale category (EUR -255 thousand; previous year: EUR 4,688 thousand).

The profit from financial assets classified as LaR was largely due to reversals of general provisions. The profit/loss from financial assets classified as AfS came from the sale of securities as part of risk management. The excellent result in the previous year was due almost completely to the impact of the write-up of an impaired security.

Income taxes

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change*) (EUR thousand)
Current taxes	-3,976	-10,200	6,223
Deferred taxes	196	0	196
Income taxes	**-3,780**	**-10,200**	**6,419**

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

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

Income taxes were EUR 6,419 thousand lower than in the previous year.

Net assets and financial position

For the purposes of comparability with 31 December 2016, these condensed interim financial statements of NORD/LB CBB as at 30 June 2017 refer to the balance sheet figures of the audited annual report of NORD/LB CBB as at 31 December 2016, which was prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as implemented by the EU.

	30.06.2017 (in EUR million)	31.12.2016 (in EUR million)	Change (in EUR million)
Loans and advances to banks	1,528.6	1,240.5	288.1
Loans and advances to customers	7,978.2	8,242.2	-263.9
Risk provisioning	-25.9	-23.3	-2.5
Financial assets at fair value through profit or loss	1,088.4	973.2	115.3
Financial assets	4,469.8	5,030.8	-561.1
Other assets	817.0	472.9	344.1
Total assets	**15,856.2**	**15,936.2**	**-80.0**
Liabilities to banks	6,576.9	6,612.1	-35.2
Liabilities to customers	3,104.5	3,412.8	-308.3
Securitised liabilities	3,630.2	3,221.8	408.4
Financial liabilities at fair value through profit or loss	1,133.7	1,149.2	-15.5
Provisions	20.9	21.6	-0.7
Other liabilities	705.5	807.4	-101.9
Reported equity	684.6	711.4	-26.8
Total liabilities and equity	**15,856.2**	**15,936.2**	**-80.0**

Total assets fell by EUR 80.0 million compared with 31 December 2016, from EUR 15,936.2 million to EUR 15,856.2 million.

Loans and advances to banks totalling EUR 1,528.6 million (previous year: EUR 1,240.5 million) increased versus 31 December 2016 by EUR 288.1 million, while **loans and advances to customers** fell by EUR 263.9 million, from EUR 8,242.2 million in the previous year to now EUR 7,978.2 million.

The Bank’s **risk provisioning** was increased by EUR 2.5 million to EUR 25.9 million (previous year: EUR 23.3 million). The rise stemmed primarily from allocations to an existing valuation allowance for an exposure in the Services sector amounting to EUR 3.3 million, and the partial reversal of an exposure in the Manufacturing industry amounting to EUR 0.3 million.

Assets measured at fair value through profit and loss increased by EUR 115.3 million. This rise was largely due to fluctuations in the market value of securities measured at fair value.

Financial assets consist of securities categorised as AfS (EUR 2,309.9 million) and LaR (EUR 2,159.9 million). The decrease compared to the previous year is mainly due to held-to-maturity securities.

Other assets rose by EUR 344.1 million to EUR 817.0 million, primarily as a result of the increase in transactions reported in the cash reserve.

Liabilities to banks fell marginally by EUR 35.2 million to EUR 6,576.9 million.

Liabilities to customers decreased by EUR 308.3 million, from EUR 3,412.8 million to EUR 3,104.5 million. While the issuance of Lettres de Gage publiques rose by EUR 130.6 million, money market transactions fell by EUR 427.6 million.

Securitised liabilities increased compared to the end of the previous year by EUR 408.4 million. This sharp increase is primarily thanks to the issues successfully placed in the first quarter of 2017 amounting to EUR 760 million in nominal terms. This was offset by maturing liabilities amounting to EUR 317.9 million in nominal terms.

Financial liabilities at fair value through profit and loss fell by EUR 15.5 million to EUR 1,133.7 million (previous year: EUR 1,149.2 million).

Other liabilities totalled EUR 705.5 million. This corresponds to a reduction of EUR 101.9 million. They consist primarily of the fair values from hedge accounting (EUR 609.8 million, previous year: EUR 706.7 million).

The Bank's reported equity stood at EUR 684.6 million as at 30 June 2017 (previous year: EUR 711.4 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 2017 was prepared in accordance with IFRS 7. The Bank does not accept significant risks from derivatives with complex structures.

NORD/LB CBB's risk management and the corresponding structural and process organisation, the procedures implemented and methods of risk measurement and monitoring were presented in detail in NORD/LB CBB's annual report as at 31 December 2016. These condensed interim financial statements therefore describe only significant developments in the reporting period.

Risk management

During the first six months of 2017 the Bank continued working on refining its integrated management approach, which is required under European SREP guidelines[1]. In the course of this work, the risk-bearing capacity model further developed at Group level was implemented as of 30 June 2017. This model aligns the regulatory and internal management of own funds.

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

Risk-bearing capacity in the first half of 2017

Risk-bearing capacity as at 30 June 2017 was calculated for the first time on the basis of the Group's enhanced model approach (Risk Appetite Control Engine, or RACE). The comparable reporting date of 31 December 2016 was adjusted retrospectively.

Risk-bearing capacity is said to exist if all key risks pursuant to the Bank's overall risk profile are covered by the available capital on an ongoing basis. With respect to the presentation of results, the risk potential of the major risk types will henceforth be compared with the available risk capital in the primary management approach (business case) assuming a confidence level of 99.9 per cent (instead of the previous 95 per cent).

Regulatory capital forms the starting point for determining the risk capital. Available risk capital in the context of the enhanced model approach is calculated on the condition that in the event the risk limit is fully utilised by the economic risk potential, regulatory capital requirements and internal regulations will be met.

The table below shows the utilisation of risk capital in the business case for NORD/LB CBB as at 30 June 2017 and as at 31 December 2016:

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

Risk-bearing capacity				
in EUR million	30.06.2017		31.12.2016	
Risk capital	**603**	**100%**	**633**	**100%**
Credit risk	135	22%	142	22%
Market price risk	58	10%	84	13%
Liquidity risk	42	7%	22	3%
Operational risk	16	3%	13	2%
Total risk potential	**251**		**260**	
Utilisation		**42%**		**41%**

The utilisation of available risk capital by the risk potential in the business case remained almost changed compared to 31 December 2016 (+ 1 percentage point). The largest share of the risk still pertains to credit risks, which fell slightly over the first six months. The model-related increase in the liquidity risk (new cover pool modelling) is offset by falling market price risks (changed positioning).

The risk strategy requirements in respect of the maximum permissible limit utilisation at the level of the material risk types were met for each risk type as at the reporting date of 30 June 2017.

The Bank assumes utilisation will be stable throughout the rest of the year and that there will be clear compliance with regulatory capital requirements.

Credit risk

The maximum default risk amount for balance-sheet and off-balance-sheet financial instruments came to EUR 17.1 billion on the reporting date, which represents a modest reduction of 4.2 per cent compared to 31 December 2016. This decrease stemmed primarily from financial assets, while loans and advances to banks and customers are almost unchanged on the whole.

Risk-bearing financial instruments	**Maximum default risk exposure**	
in EUR milion	30.06.2017	31.12.2016
Loans and advances to banks	1.528,6	1.240,5
Loans and advances to customers	7.978,2	8.242,2
Financial assets at fair value through profit or loss	1.088,4	973,2
Positive fair values from hedge accounting	321,7	327,7
Financial assets	4.469,8	5.030,8
Subtotal	**15.386,7**	**15.814,4**
Warranties for third-party accounts	132,6	133,3
Credit commitments not yet disbursed	1.589,8	1.917,2
Total	**17.109,1**	**17.864,9**

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

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

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

Analysis of credit exposure

The credit exposure totals EUR 17.8 billion, down marginally on 31 December 2016.

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

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

Rating structure [1) 2)] in EUR million	**Loans** [3)]	**Securities** [4)]	**Derivatives** [5)]	**Other** [6)]	**Total**	
	30.06.2017				**30.06.2017**	**31.12.2016**
very good to good	9.014,0	5.185,0	259,0	573,7	**15.031,7**	**14.824,6**
good / satisfactory	1.318,2	308,6	0,4	76,6	**1.703,9**	**1.718,1**
acceptable / adequate	228,6	26,7	0,0	40,0	**295,4**	**397,7**
increased risk	358,9	272,1	0,0	0,0	**630,9**	**892,9**
high risk	26,8	0,0	0,0	0,0	**26,8**	**23,8**
very high risk	19,1	0,0	0,0	0,0	**19,1**	**60,6**
Default (=NPL)	68,8	0,0	0,0	0,0	**68,8**	**62,6**
Total	**11.034,4**	**5.792,4**	**259,4**	**690,3**	**17.776,7**	**17.980,3**

1) Allocation according to IFD rating class.

2) Differences in totals are rounding differences.

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

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

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

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

Most of the total exposure (84.6 per cent) is rated as “very good to good”. The ongoing high percentage of the total exposure in this best rating class is due to the significant importance of the business with financial institutions and public authorities.

The total credit exposure by sector breaks down as follows:

Sectors [1) 2)] in EUR million	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total	
	30.06.2017				**30.06.2017**	**31.12.2016**
Financing institutions / insurance companies	3.580,7	3.004,2	255,7	9,2	**6.849,8**	**6.740,0**
Services / other	2.783,7	2.498,6	2,8	159,8	**5.444,9**	**5.073,7**
- of which real estate and housing	*170,6*	*0,0*	*0,0*	*21,0*	***191,6***	***197,0***
- of which public administration	*83,1*	*2.483,3*	*0,0*	*2,7*	***2.569,1***	***2.798,6***
Transportation / communication	711,8	25,2	0,6	53,3	**791,0**	**981,3**
- of which shipping	*24,7*	*0,0*	*0,0*	*0,0*	***24,7***	***24,6***
- of which aviation	*0,5*	*0,0*	*0,0*	*0,0*	***0,5***	***0,5***
Manufacturing	1.685,5	0,0	0,0	81,0	**1.766,5**	**1.970,1**
Energy and water supply, mining	1.391,1	264,4	0,3	345,3	**2.001,1**	**2.225,1**
Trade, maintenance, repairs	712,4	0,0	0,0	38,6	**751,0**	**822,4**
Agriculture, forestry and fisheries	10,8	0,0	0,0	0,0	**10,8**	**10,8**
Construction	158,5	0,0	0,0	3,0	**161,5**	**156,7**
Other	0,0	0,0	0,0	0,0	**0,0**	**0,0**
Total	**11.034,4**	**5.792,4**	**259,5**	**690,3**	**17.776,7**	**17.980,3**

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

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

The table shows that the business with financial institutions and insurers with good ratings, a fundamentally low-risk business until now, continues to account for a large portion of the total exposure (together 38.5 per cent). If we include the public sector, this portion of the total exposure amounts to 53.0 per cent. Business with commercial customers has decreased slightly.

The total credit exposure by region breaks down as follows:

Regions [1) 2)] in EUR million	Loans [3)]	Securities [4)]	Derivatives [5)]	Other [6)]	Total	
	30.06.2017				**30.06.2017**	**31.12.2016**
Eurozone countries	8.368,7	3.010,3	240,5	675,8	**12.295,2**	**12.238,8**
- of which Germany	*7.504,2*	*1.430,4*	*233,3*	*663,7*	***9.831,7***	***9.456,6***
Rest of Europe	1.719,8	787,8	18,1	14,6	**2.540,3**	**2.513,9**
North America	878,7	1.655,0	0,9	0,0	**2.534,7**	**2.885,4**
Central and South America	35,8	0,0	0,0	0,0	**35,8**	**55,4**
Middle East / Africa	2,4	0,0	0,0	0,0	**2,4**	**2,3**
Asia/Australia	29,1	339,2	0,0	0,0	**368,3**	**284,5**
Other	0,0	0,0	0,0	0,0	**0,0**	**0,0**
Total	**11.034,4**	**5.792,4**	**259,5**	**690,3**	**17.776,7**	**17.980,3**

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

The Bank invests almost exclusively in regions with strong economies. This means that country ratings are good too, which tends to make country risk less important. The eurozone accounts for a high 69.2 per cent share of lending, making it by far the most important business region.

Change in credit risk during the first half of the year

The unexpected loss determined for internal management by means of a credit portfolio model is slightly lower (-5 per cent) than at 31 December 2016, totalling EUR 135 million as of the reporting date. This is due to the declining exposure and the lower average default probabilities.

On the other hand, the expected loss rose by EUR 3 million to EUR 23 million as at 30 June 2017 (previous year: EUR 20 million) because of a higher exposure in non-performing loans.

NORD/LB CBB applies the internal ratings-based approach to calculate the regulatory capital requirement for credit risks. One exception is made for a small number of portfolios for which the standardised approach for credit risk is applied. The capital requirement for credit risks as at 30 June 2017 stands at EUR 331 million (previous year: EUR 322 million).

The Bank assumes credit risks will be stable during the rest of the financial year.

Non-performing loans

The portfolio of non-performing loans increased by 10 per cent during the first half of the year.

The Bank's risk provisioning (including loan loss provisions) was EUR 43.5 million as at the reporting date. The balance comprises general loan loss provisions totalling EUR 20.1 million and specific valuation allowances of EUR 22.7 million. EUR 15.5 million of this latter amount is attributable to one borrower from the Trade, maintenance and repairs industry. Another EUR 5.3 million in specific valuation allowances relates to two borrowers from the Services sector. The remaining EUR 2.0 million was established for one borrower in the Manufacturing industry.

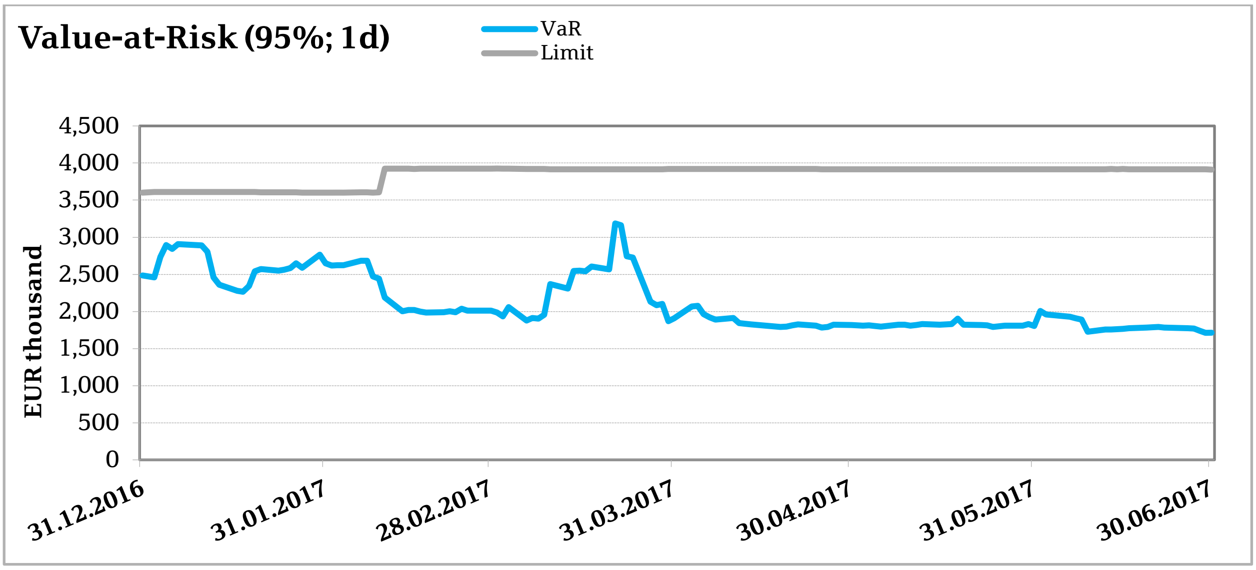
Beyond that, provisions were established for off-balance-sheet risks totalling EUR 0.4 million for a borrower from the Trade, maintenance and repairs industry, and EUR 0.3 million because of portfolios.

Investments

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

Market price risk

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



The value-at-risk limit for the overall Bank as at 10 February 2017 rose from EUR 3.6 million to EUR 3.9 million due to an increase in the limit capital at the overall Bank level compared with the previous year.

The utilisation as at 30 June 2017 amounted to EUR 1.7 million, i.e. 43.8 per cent of the limit (previous year: EUR 2.5 million). The securities held for interest rate and liquidity management purposes create a focus on credit spread risks. Interest rate risks are primarily due to transactions in EUR and GBP.

The utilisation of the VaR limit averaged 55.5 per cent in the first six months (previous year: 71.4 per cent); the maximum utilisation was 81.4 per cent (previous year: 93.6 per cent) and the minimum utilisation 43.7 per cent (previous year: 47.4 per cent).

As at 30 June 2017, measurements showed interest rate risks of EUR 0.5 million, foreign currency risks of EUR 0.7 million, volatility risks of EUR 0.04 million and credit spread risks from HfT and AfS positions of EUR 0.9 million.

Parallel to the present-value risk analysis as part of VaR, the Bank introduced an income-based risk assessment specifically for interest rate risks in the bank book. To this end, the impact of historical interest rate scenarios on the net interest income of the following year is calculated using an earnings-at-risk (EaR) model. The present-value analysis, however, is still the main management perspective. The EaR of NORD/LB CBB as at 30 June 2017, determined with a confidence level of 95 per cent and a holding period of one year, totalled EUR 3.5 million.

With regard to the interest rate risks in the bank book, the impacts of a standardised interest rate shock are analysed monthly in line with the requirements of Circular CSSF 16/642. Their effects are still well below the regulatory threshold of no more than 20 per cent of liable equity. The Bank additionally assessed further stress scenarios that look at the income-based approach as well as the present-value approach.

The Bank uses the standard procedure pursuant to the CRR to calculate the regulatory capital requirement for interest rate, currency and share price risk. Taking into account the requirements for a credit valuation adjustment (CVA), a capital adequacy requirement of EUR 0.8 million (previous year: EUR 1.0 million) was calculated for market price risk as at 30 June 2017.

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

The credit spread value-at-risk limit of the LaR holdings as at 10 February 2017 was increased slightly by EUR 1 million to EUR 108 million. The average limit utilisation during the reporting period amounted to 38.0 per cent, with a maximum utilisation of 54.6 per cent and a minimum utilisation of 29.5 per cent. As at 30 June 2017, the credit spread value-at-risk of the LaR holdings stood at EUR 34.3 million (previous year: EUR 58.0 million).

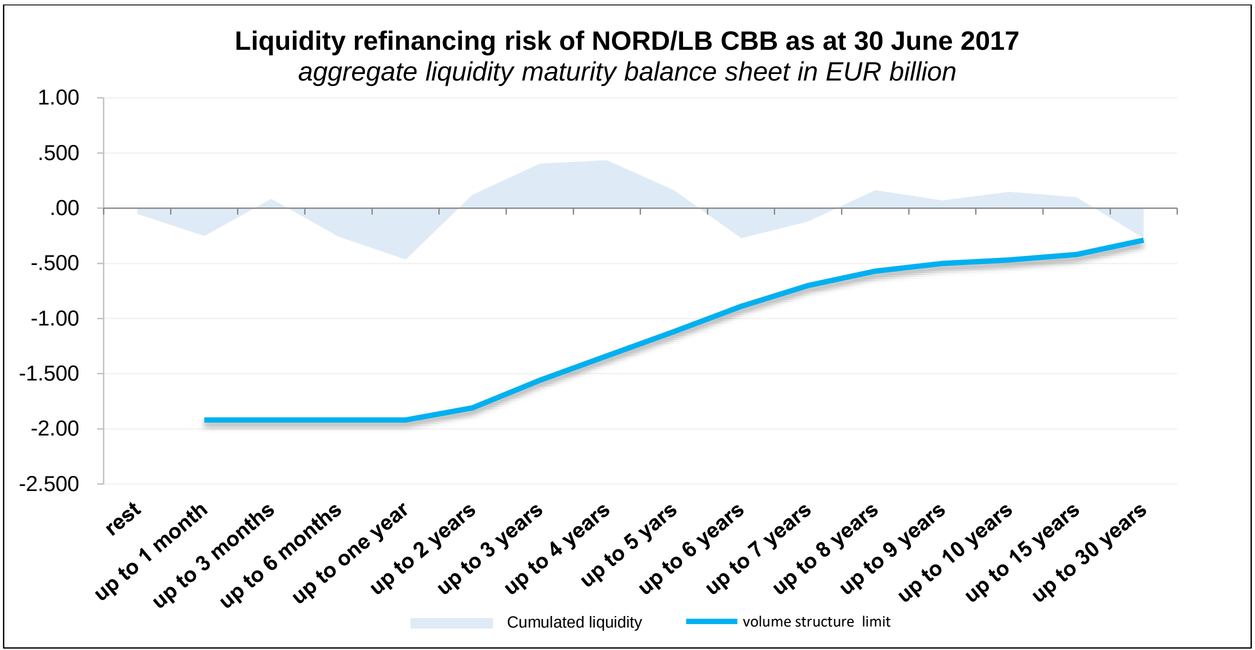
NORD/LB CBB anticipates there will be no significant increase in market price risk during the remainder of the financial year. The Bank expects its credit spread risk will drift sideways going forward. Based on the monetary policy decisions of central banks as well as the geopolitical environment, phases of increased volatility may nevertheless arise in the markets. This may, in turn, impact the risk situation.

Liquidity risk

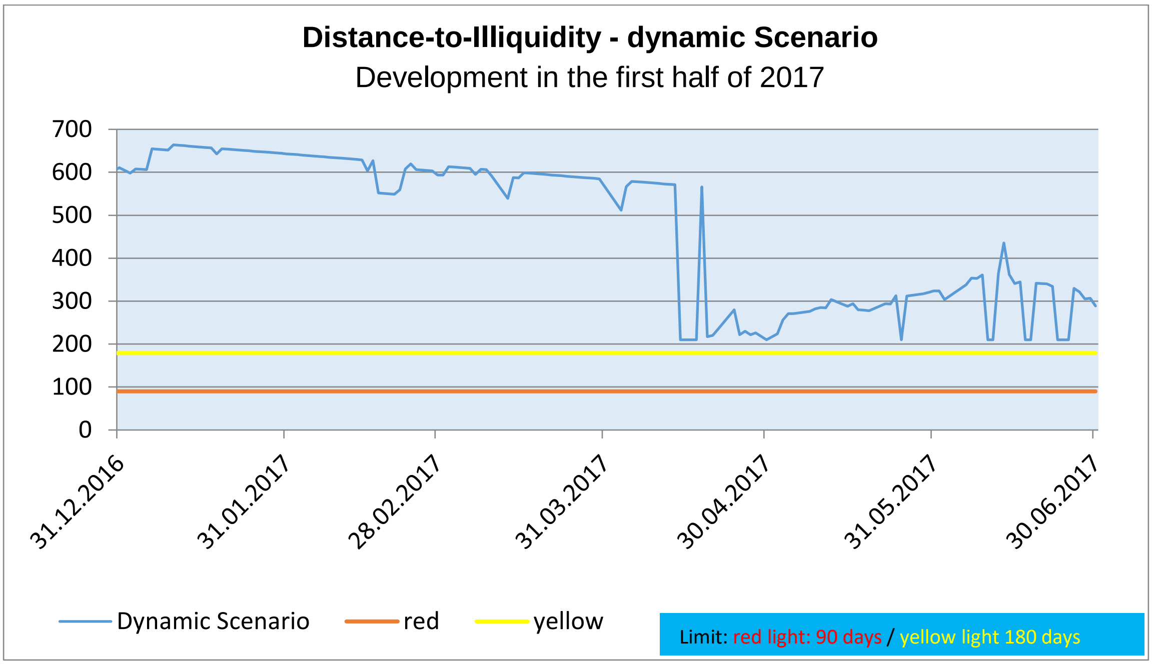
The first half-year in 2017 was shaped by two rating downgrades by the Moody's ratings agency. The long-term issuer rating was lowered by one notch on both 18 April 2017 and 30 June 2017, from its original level of Baa1 to Baa3. In response to both rating moves, the parameters in the classic liquidity risk model were adjusted in the dynamic liquidity stress test. In spite of the rating downgrade and the extremely low interest rates, sufficient liquidity was mobilised on the market, irrespective of the news, which meant liquidity risk management remained at a comfortable level. New lending not eligible for cover pooling purposes was partially financed via long-term funding from the Group.

The Bank continues to have a balanced funding mix. The Bank's business strategy and the local banking circumstances in Luxembourg result in refinancing concentrations via financial institutions. Term deposit transactions with corporate customers constitute another major part of the Bank's refinancing. In that regard, new counterparties were again acquired in the first six months. In addition, the refinancing need in the "over two years" range is largely covered via NORD/LB (uncovered funding).

The aggregate liquidity maturity balance sheet used to manage internal refinancing risk, which contains an enhanced version of the cover pool model since the start of the year, was as follows for NORD/LB CBB as at the reporting date:

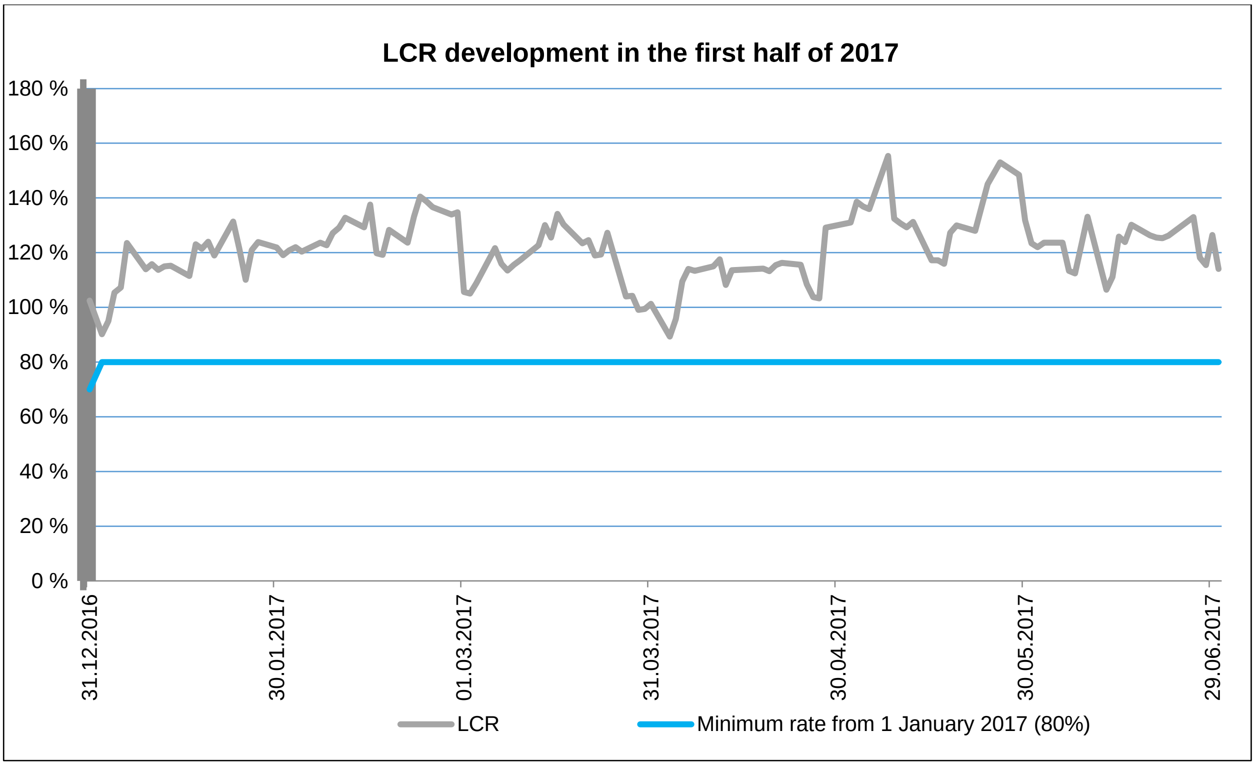


The distance-to-illiquidity (DTI) trend in the dynamic management-relevant scenario for NORD/LB CBB during the reporting period was as follows:



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

Since the beginning of the year, the liquidity coverage ratio (LCR) for NORD/LB CBB changed as follows:



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

The asset encumbrance ratio, which expresses encumbered assets in terms of total assets, depends on the business model of the institution and, taken on its own, is suitable as a management metric only under certain conditions. The Bank's asset encumbrance ratio as at 30 June 2017 stood at 48.3 per cent (previous year: 41.9 per cent). Consistent with the business model of a mortgage-lending institution, NORD/LB CBB will continue to expand its funding via Lettres de Gage publiques and will accordingly have a higher asset encumbrance ratio in the future.

The management of liquidity risk beyond minimum regulatory requirements ensures that the Bank is always able to meet its payment obligations on time and raise funding on the market at reasonable conditions. The Bank is primarily active in liquid markets and maintains a portfolio of high-quality securities.

The Bank anticipates liquidity risk will increase moderately in the second half of the year due to active liquidity management and the planned lending business. The methods to measure risks and the reporting processes are being continuously enhanced. To address SREP requirements in this regard (in this case: the Internal Liquidity Adequacy Assessment Process (ILAAP)), the Bank is planning additional measures to implement an integrated approach to liquidity management.

Operational risk

Operational risk management in the second line of defence within the internal control system is optimally integrated at NORD/LB CBB via close cooperation between the Compliance, Security, ICS, Emergency Management and OpRisk Management functions. This cooperation is achieved by means of the Integrated Self-Assessment (risk assessment for OpRisk, ICS and Compliance).

During the first six months, no damage in excess of EUR 5,000 was reported for NORD/LB CBB. The risk potential calculated for risk-bearing capacity under the internal model totalled EUR 16.0 million on the reporting date (confidence level 99.9 per cent, holding period 1 year).

The Bank applies the standard approach according to the CRR to determine the capital requirements for operational risks. As at 30 June 2017 this totalled EUR 13.5 million.

Other risks

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

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

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

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

Summary and outlook

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

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

NORD/LB CBB was in compliance with the applicable regulatory requirements for equity and liquidity at all times during the first half of 2017.

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[2] compared with the first half of 2016 changed as follows:

30.06.2017	30.06.2016	Change (absolute)	Change in %
184.9	179.3	5.6	3

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

[2] Headcount (FTE) on permanent contracts

Internal controls and risk management when compiling financial data and organisation

Definition and objective

The objective of the internal control and risk management system with regard to the preparation of financial reports is that the financial statements should provide a true and fair value of the net assets, financial position and financial performance of NORD/LB CBB in accordance with the accounting provisions of the International Financial Reporting Standards as they are to be applied within the European Union. The term Internal Control System (ICS) is used hereafter.

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

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

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

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

Overview of the internal control system (ICS)

The ICS in NORD/LB CBB is based on a standard Group methodology defined by the Bank's ICS Control Committee. It ensures that a uniform approach is taken to assess the ICS based on key controls.

The processes implemented are documented, and the inherent risks are determined and evaluated. The necessary controls are identified based on these risks. Every key control is evaluated regarding its control objective (appropriateness) and tested for effectiveness. If there are any control weaknesses, measures are taken to rectify them; the Bank's ICS Officer monitors the implementation of these measures. Optimised controls are then tested for their appropriateness and effectiveness.

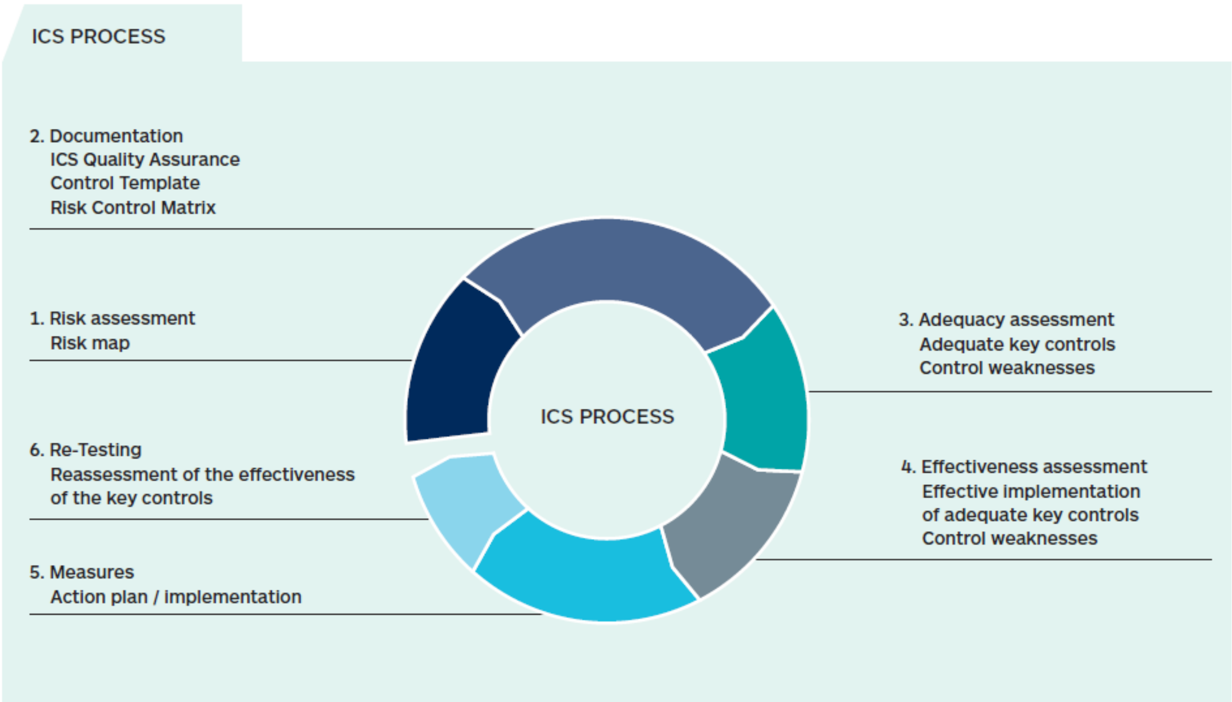
The Bank's ICS is based on the standards of the banking authorities (the ECB in conjunction with the CSSF). These standards are largely defined in the updated Circular 12/552, which stipulates the following four control levels:

- 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 process organisation is governed in the Bank's documentation of internal regulations. This is continuously monitored and adjusted with regards to changes in the markets, changes to work processes and changes to external regulations. Core components of this documentation include organisational charts, guidelines, process descriptions, forms and written informational material. These obligatory documents are summarised in the Bank's organisational handbook.

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



Risk Control function

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

Compliance function

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

Internal Auditing

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

Sustainability report

Sustainability as a strategic factor

NORD/LB Luxembourg decided in 2013 to set up a Sustainability Management function. It was in that year that the Sustainability Management Officer also began his work. The work here is oriented to the requirements of the Group. NORD/LB CBB aims to be economically successful and internationally competitive with a view to creating added value for the NORD/LB Group, customers, staff and the general public. For this purpose it follows high ecological and social standards. The Bank's sustainability strategy defines the basic orientation of our actions. It sets out the focal points in individual areas of activity and documents the specific objectives we aim to achieve by 2020.

Our beliefs

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

Governance

We believe acting with integrity is an essential part of responsible corporate management. It also helps to consistently strengthen the trust all interest groups have 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 and minimise possible risks that result from sustainable development and global change. This increases customer satisfaction and builds long-lasting partnerships that will ensure customer loyalty to NORD/LB CBB.

Employees

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

Environment

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

Society

We are committed to improving the living conditions of the people in our sphere of influence and thereby simultaneously boosting the sustainability of the social environment. The training of young banking professionals is just as important as our support of social institutions and initiatives. The Bank makes both monetary and non-monetary donations to social organisations and self-help institutions as well as to cultural clubs and associations.

Supplementary report

No significant events occurred between the balance sheet date of 30 June 2017 and the preparation of these financial statements by the Managing Board on 29 August 2017.

Forward-looking statements

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

Luxembourg, 29 August 2017

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.

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

Condensed income statement

of NORD/LB CBB for the period from 1 January to 30 June 2017 compared with the period from 1 January to 30 June 2016:

	Notes	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)
Net interest income	**(4)**	**56,034**	**45,033**
Interest income		240,000	257,950
Interest expenses		-186,148	-212,917
Interest rate anomalies		2,182	*)
Loan loss provisions	**0**	**-2,680**	**1,924**
Net commission income	**(6)**	**-15,773**	**-12,244**
Profit/loss from financial instruments at fair value through profit or loss	**(7)**	**5,211**	**13,659**
Profit/loss from hedge accounting	**(8)**	**-3,756**	**3,039**
Profit/loss from financial assets	**(9)**	**1,669**	**5,415**
Administrative expenses	**(10)**	**-20,338**	**-18,450**
Other operating profit/loss	**(11)**	**-5,103**	**-2,752**
Earnings before taxes		**15,266**	**35,624**
Income taxes	**(12)**	**-3,780**	**-10,200**
Interim result		**11,485**	**25,424**
Of which attributable to shareholders		11,485	25,424
Of which attributable to non-controlling interests		0	0

*) Not reported separately as of 30 June 2016, included instead under interest expenses and income.

Condensed statement of comprehensive income

The total income for the first half of 2017 consists of the income and expenses recognised in the income statement and directly in equity.

NORD/LB CBB for the period from 1 January to 30 June 2017 compared with the period from 1 January to 30 June 2016:

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)
Interim result	**11,485**	**25,424**
Other profit/loss	**-8,273**	**19,898**
Other comprehensive income that will not be reclassified to the income statement in subsequent periods	**-33**	**0**
Revaluation of net indebtedness from defined benefit plans	0	0
Deferred taxes	-33	0
Other comprehensive income that will be reclassified to the income statement in subsequent periods	**-8,240**	**19,898**
Changes from financial instruments classified as AfS	-11,623	28,112
Unrealised gains/losses	-11,368	27,083
Reclassification due to realisation of gains/losses	-255	1,029
Currency translation differences of foreign business units	0	0
Deferred taxes	3,383	-8,214
Total comprehensive income in the first half	**3,213**	**45,322**
Of which attributable to shareholders	3,213	45,322
Of which attributable to non-controlling interests	0	0

Balance sheet

of NORD/LB CBB as of 30 June 2017 compared to 31 December 2016:

Assets	Notes	30.06.2017 (in EUR million)	31.12.2016 (in EUR million)
Cash reserve		400.8	56.5
Loans and advances to banks	(13)	1,528.6	1,240.5
Loans and advances to customers	(14)	7,978.2	8,242.2
Risk provisioning	(15)	-25.9	-23.3
Financial assets at fair value through profit or loss	(16)	1,088.4	973.2
Positive fair values from hedge accounting – derivatives		321.7	327.7
Financial assets	(17)	4,469.8	5,030.8
Property and equipment	(18)	65.7	66.4
Intangible assets	(19)	24.0	19.6
Current income tax assets		0.0	0.0
Deferred income tax assets		0.8	0.8
Other assets	(20)	4.0	1.8
Total assets		**15,856.2**	**15,936.2**

Liabilities	Notes	30.06.2017 (in EUR million)	31.12.2016 (in EUR million)
Liabilities to banks	(21)	6,576.9	6,612.1
Liabilities to customers	(22)	3,104.5	3,412.8
Securitised liabilities	(23)	3,630.2	3,221.8
Financial liabilities at fair value through profit or loss	(24)	1,133.7	1,149.2
Negative fair values from hedge accounting – derivatives		609.8	706.7
Provisions	(25)	20.9	21.6
Current income tax liabilities		10.8	9.7
Deferred income tax liabilities		10.5	14.1
Other liabilities	(26)	17.5	15.2
Subordinated capital	(27)	57.0	61.7
Equity		**684.6**	**711.4**
Subscribed capital		205.0	205.0
Capital reserves		0.0	0.0
Retained earnings		463.3	481.8
Revaluation reserves		16.3	24.6
Total equity		**684.6**	**711.4**
Equity attributable to shareholders		684.6	711.4
Equity attributable to non-controlling interests		0.0	0.0
Total liabilities and equity		**15,856.2**	**15,936.2**

Condensed cash flow statement

of NORD/LB CBB for the period from 1 January to 30 June 2017 compared with the period from 1 January to 30 June 2016:

	01.01.2017-30.06.2017 (in EUR million)	01.01.2016-30.06.2016 (in EUR million)
Cash and cash equivalents as at the beginning of the period	**56.5**	**84.1**
Cash flow from operating activities	-2.8	268.1
Cash flow from investing activities	377.6	-269.8
Cash flow from financing activities	-30.4	-55.4
Total cash flow	**344.4**	**-57.1**
Effects of changes in exchange rates and in the basis of consolidation	0.0	0.0
Cash and cash equivalents as at the end of the period	**400.9**	**27.1**

Condensed statement of changes in equity

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

in EUR million	Subscribed capital	Capital reserves	Retained earnings	Revaluation reserves	Currency translation reserve	Equity before non-controlling interests	Non-controlling interests	Equity
Equity as at 01.01.2017	**205.0**	**0.0**	**481.8**	**24.6**	**0.0**	**0.0**	**0.0**	**711.4**
Comprehensive income for the period	**0.0**	**0.0**	**11.5**	**-8.2**	**0.0**	**0.0**	**0.0**	**3.2**
Distribution	**0.0**	**0.0**	**-30.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-30.0**
Equity as at 30.06.2017	**205.0**	**0.0**	**463.3**	**16.3**	**0.0**	**0.0**	**0.0**	**684.6**

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

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

Condensed notes

Condensed notes

Accounting policies

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

The condensed interim financial statements of NORD/LB CBB as at 30 June 2017 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 2016.

The condensed interim financial statements as at 30 June 2017 comprise the condensed income statement, the condensed statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and selected notes. The segment reporting is included in the notes.

These condensed interim financial statements of NORD/LB CBB as at 30 June 2017 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 2017, each on an unconsolidated basis.

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

(2) Applied and new IFRSs

Unless specified otherwise, the accounting policies for the interim financial statements are based on those of the annual financial statements as at 31 December 2016.

On the preparation date of the financial statements, the European Commission had still not adopted into European law the following amendments to standards that are applicable for the first time as at 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

The objective of the amendments to IAS 7 is to improve the information about changes to the entity's indebtedness. According to the new version of IAS 7, an entity must disclose changes to financial liabilities for which cash proceeds and payments are recognised in the cash flow statement under Cash flow from financing activities.

Additional reporting requirements are created for the NORD/LB CBB interim financial statements with regard to IAS 7.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 aim to clarify how certain regulations should be applied in connection with the recognition of deferred tax assets arising from acquired debt instruments measured at fair value. In addition, it was clarified that as a rule, all deductible temporary differences should be taken together and assessed as a whole in order to determine whether sufficient taxable profit will be available for their use in the future.
Deferred taxes are already recognised in the interim financial statements in accordance with the amendments, so the amendments to IAS 12 will have no effects.

Improvements to IFRS (cycle 2014 – 2016) under the IASB's annual improvement process

Changes were made to IFRS 12 as part of the annual improvement process. These are applicable for financial years beginning on or after 1 January 2017. The amendments clarify that the scope of IFRS 12 also applies for shares in other companies under IFRS 5; exceptions are the disclosure requirements of IFRS 12 on financial information. The adjustments made to IFRS 12 as part of the IFRS annual improvement process (2014 – 2016 cycle) exert no influence on the interim financial statements of NORD/LB CBB.

As permitted, the Bank has waived early application of the following standards and amendments to standards, which have been accepted into European law and are to be implemented for the financial statements only after 31 December 2017.

IFRS 9 – Financial Instruments

The adoption of IFRS 9 is expected to have a substantial impact on the accounting, measurement and presentation of future financial statements. The impact of IFRS 9 on NORD/LB CBB is currently under evaluation. To this end, a project has been set up based on the phases of IFRS 9 in order to implement the necessary specialist, technical and procedural changes in due time.

Under IFRS 9 – Financial Instruments, the following regulatory areas of relevance to NORD/LB CBB will require adaptation:

Classification and evaluation of financial assets and liabilities
While classification under IAS 39 is based primarily on the type of financial asset, classification under IFRS 9 focuses on the company's intended business purpose and the structure of the financial instrument. IFRS 9 provides for three possible business models for financial instruments: "Hold", "Hold and sell", and "Do not hold". A financial instrument is also classified by what is known as the cash flow criterion; this is used to examine the financial instrument to determine whether the contractual cash flows relate solely to principal and interest payments. Financial assets are classified and measured based on the combination of the business model and the characteristics of the cash flows.
In general, IFRS 9 provides for measurement of all financial assets at fair value. Subsequent recognition at amortised cost is permitted only if the financial instrument was assigned to a portfolio with the "Hold" business model, and if its cash flows represent solely interest and principal payments on the outstanding capital of the financial instrument at contractually defined points in time. Subsequent recognition with the fair value changes carried in other comprehensive income (OCI) is permitted only if the financial instrument was assigned to a portfolio with the "Hold and sell" business model, and if its cash flows represent solely interest and principal payments on the outstanding capital of the financial instrument at contractually defined points in time. If certain conditions are met, the financial instruments may be irrevocably designated at fair value upon initial recognition.
If the cash flows do not meet this requirement, the asset must be measured at fair value through profit and loss. Derivatives should generally be recognised at fair value through profit and loss. Measurement methods do not change under IFRS 9.

Financial assets – loans
NORD/LB CBB mainly follows the "Hold" business model in its credit business. The "Do not hold" business model is applied for syndication or asset trading portfolios in the credit sector. The scope of these portfolios is currently small in relation to the overall loan book. According to current information, the "Hold and sell" business model is not used in the Bank's lending business.

NORD/LB CBB is conducting an analysis to examine the loan portfolio business and the contract modules currently in use; the aim is to identify components or ancillary agreements of relevance for the classification of transactions as subject to “mandatory measurement at fair value through profit and loss”. Contract components or ancillary agreements of loans that result in cash flows which are not exclusively interest and principal repayments in accordance with IFRS 9 requirements are recorded at NORD/LB CBB for technical purposes. To carry out continued fair-value measurements of the affected lending transactions in future, NORD/LB CBB is planning to roll out an automated measurement application that calculates fair values at the level of individual financial instruments based on relevant cash flow and contractual data. The analysis currently still underway provisionally concludes that the new IFRS 9 classification model will result in an extension of fair value measurement for NORD/LB CBB’s credit sector (albeit limited to specific segments) as compared to the classification under IAS 39. Loans measured hitherto at amortised cost under IAS 39 would thus need to be classified in a fair value category under IFRS 9. It is currently not possible to fully estimate the impact of first-time application because an assessment of the cash flow criterion is not yet complete. Although the portfolios were valued accordingly in an initial review, another review will be performed, particularly regarding the loans initially classified as detrimental to fair value. Furthermore, a final decision is still pending as to whether some side agreements, which were mainly viewed as risk shields, would result in a fair value measurement.

Financial assets – securities

NORD/LB CBB plans to apply all three business model versions for securities on the assets side. As the project stands at present, portfolios with an intended long-term investment horizon should be assigned to the “Hold” business model. In the case of portfolios used for short and/or medium-term liquidity management, the Bank plans to assign them to the “Hold and sell” business model because they are actively managed and there is generally no intention to hold the securities to maturity. Portfolios intended for trading will continue to be included as before in the “Do not hold” business model.

NORD/LB CBB has also decided to measure all equity instruments at fair value through profit and loss.

Securities with debt characteristics can be measured at amortised cost in the same way as loans if they are carried in the “Hold” business model and the cash flow criterion is met at the same time. Changes to fair value relating to securities with debt characteristics must be recognised in other comprehensive income (OCI) if they are managed in the “Hold and sell” business model and if the cash flow criterion is met at the same time.

NORD/LB CBB currently anticipates basically unchanged use of the option for voluntary fair value measurement, insofar as permitted under IFRS 9.

Due to the classification and measurement requirements of IFRS 9, NORD/LB CBB anticipates that a portion of the securities holding (limited to selected portfolios) recognised directly in equity under IAS 39 will be measured at amortised cost from 2018 onwards. In the present status, it is not possible to fully estimate the impact of first-time application because the allocation of the securities to business models is not yet complete. The Bank reserves the right to change the allocation of the securities until the date of first-time application, as new findings will be addressed over time. The actual effects are dependent on the business models and portfolios of financial assets prevailing on the effective date.

Under IFRS 9, unconsolidated investments should fundamentally be measured at fair value through profit and loss because the cash flow criterion is not met. Since the available option of fair value measurement directly in equity is not to be exercised, changes in the value of unconsolidated investments will be recognised in the income statement when IFRS 9 is applied for the first time, instead of the current practice of recognising these changes in the available for sale (AfS) classifications in the revaluation reserve in equity under IAS 39. Upon first-time application, amounts previously recognised in the revaluation reserve due to their classification as AfS will be transferred to retained earnings.

Financial liabilities

The main change to the existing requirements concerns recognition of profit/loss from instruments in the fair value option. As a general rule, IFRS 9 stipulates that changes to the measurement of financial liabilities induced by credit ratings must be recognised directly in equity within other comprehensive income (OCI); the remaining part of the change in value will continue to be recognised in the income statement. The Bank does not expect this new regulation to produce measurement or recognition anomalies; based on the present status, therefore, fair value changes attributable to the Group's own credit risk for financial liabilities in the fair value option will always be recognised under other comprehensive income (OCI).

Impairment of financial assets

IFRS 9 introduces a new impairment model which aims to provide useful decision-making information more adequately and promptly. The procedure stipulates that expected credit losses should be recognised initially based on an Expected Loss (EL) model, rather than waiting until a credit event actually occurs. According to the new impairment model, those financial instruments, loan commitments and financial guarantees (provided they are not recognised in the balance sheet at fair value through profit and loss) will be subdivided into three stages, depending on the change in their credit quality since initial recognition. In Stage 1, the expected loan defaults are calculated to the amount of the expected loss with an observation period of one year. In stages 2 and 3, anticipated credit defaults are calculated over the term of the financial instrument (expected lifetime loss). Stage 3 includes receivables already defaulted (reflecting existing IAS 39 procedures) and regulatory requirements.

Determining and implementing suitable models for calculating expected loss and expected lifetime loss in line with accounting standards are crucial for NORD/LB CBB. Determining suitable systems for assigning a stage, credit quality indicators and the thresholds for the three-stage model are also key aspects for the implementation of the requirements. NORD/LB CBB calculates risk provisioning using an instrument-by-instrument approach. Risk provisioning should be determined using a parameter-based approach for all portfolios in stages 1 and 2 and for non-significant stage 3 transactions, whereas an expert-based approach is specified for significant stage 3 transactions.

Various criteria are used to distinguish between stages 1 and 2. As the concept stands at present, there is (on the one hand) a quantitative criterion for which precisely defined conditions must be cumulatively met. This is supplemented by three qualitative criteria, each of which may trigger a transfer to stage 2 if they are met.

The methodological concept for using forward-looking information as part of scenarios to determine risk provisioning has not been finalised yet at NORD/LB CBB, so the related impacts cannot be reliably quantified at the moment. For example, the cash flows that are currently used are based on greatly simplified assumptions with respect to the expected exposure-at-default, the expected future value of the collateral and the impact of macroeconomic effects. Furthermore, the necessary functional tests have not yet been completed. The new categorisation requirements under IFRS 9 for the business model and assessment of the cash flow criterion will also produce future changes to the composition of the transaction to be considered in the impairment context. The effects of impairment can therefore be quantified only when the classification of financial assets has been completed, which is not yet the case for NORD/LB CBB. A reliable estimate of these effects and of the overall impact of risk provisioning will be possible only as the project continues to advance.

Hedging relationships

The IASB has decided to subdivide hedge accounting into general hedge accounting and macro hedge accounting. Macro hedge accounting is not covered by the published IFRS 9 and is currently being addressed by the IASB as a standalone project.

Until the new regulations regarding macro hedge accounting are published, the regulations of IAS 39 regarding portfolio fair-value hedges for interest risks will remain in effect. There is an option to apply the standard on general hedge accounting as from 1 January 2018, or to continue with the IAS 39 regulations. In future, the changed classification requirements under IFRS 9 will also change the composition of the underlying transactions in the fair-value-hedge portfolio for interest rate risks. NORD/LB CBB expects only minor effects from the first-time application of these changes; specific quantification will be possible only once the classification of the financial assets is completed.

Recognition

In accordance with the IFRS 9 classification and measurement requirements, NORD/LB CBB will gear its reporting on financial instruments more towards measurement categories. As permitted, retrospective application of IFRS 9 for reporting will be waived. This means that the IFRS 9 values in 2018 will be compared to prior-year values determined for 2017 according to IAS 39 requirements.

IFRS 9 – Financial Instruments is applicable as a mandatory requirement for financial years starting on or after 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers

The currently applicable standards for revenue recognition (IAS 18 and IAS 11) and the related interpretations will be replaced from 2018 by IFRS 15. IFRS 15 provides for a new principle-based five-step model for the accounting and recognition of revenue. In particular, the new standard will impact the amount and timing of revenue recognition and its distribution in the statement of comprehensive income. The EU endorsed the standard in the fourth quarter of 2016. The clarifications of IFRS 15 are expected to be adopted into European law in the fourth quarter of 2017.

Application of the standard is mandatory for reporting periods beginning on or after 1 January 2018. The standard is fundamentally applicable for all contracts with customers of NORD/LB CBB, but in many cases it is not relevant for the Bank because large parts of the income in the statement of comprehensive income are subject to the provisions of other standards. IFRS 15 is mainly applicable to the accounting of commission income, i.e. to NORD/LB CBB's service business. The introduction of the standard will not have a material impact on the presentation of the net assets, financial position and results of operations of NORD/LB CBB.

Segment reporting

Segment reporting

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

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

Financial Markets & Sales

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

Loans

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

Client Services & B2B

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

Bank Management & Other

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

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

	Segments				
in EUR thousand (01.01.2017 – 30.06.2017 / 01.01.2016 – 30.06.2016)	**Financial Markets & Sales**	**Loans**	**Client Services & B2B**	**Bank Management & Other**	**Total**
Net interest income	**9,963**	**44,246**	**534**	**1,292**	**56,034**
Ditto previous year	4,746	39,142	787	357	45,033
Loan loss provisions	**209**	**-2,994**	**105**	**0**	**-2,680**
Ditto previous year	11	1,842	72	0	1,924
Net interest income after risk provisioning	**10,172**	**41,252**	**639**	**1,292**	**53,354**
Ditto previous year	4,757	40,984	859	357	46,957
Net commission income	**2,023**	**-17,763**	**-29**	**-4**	**-15,773**
Ditto previous year	1,660	-13,526	-230	-149	-12,244
Profit/loss from financial instruments at fair value through profit or loss	**5,211**	**0**	**0**	**0**	**5,211**
Ditto previous year	13,659	0	0	0	13,659
Profit/loss from hedge accounting	**0**	**0**	**0**	**-3,756**	**-3,756**
Ditto previous year	0	0	0	3,039	3,039
Profit/loss from financial assets	**1,650**	**19**	**0**	**0**	**1,669**
Ditto previous year	5,415	0	0	0	5,415
Administrative expenses	**-5,829**	**-5,829**	**-1,362**	**-7,317**	**-20,338**
Ditto previous year	-6,199	-6,162	-1,661	-4,428	-18,450
Other income/expenses	**-1,142**	**-188**	**559**	**-4,332**	**-5,103**
Ditto previous year	-1,269	-114	1,018	-2,386	-2,752
Earnings before taxes	**12,085**	**17,491**	**-193**	**-14,117**	**15,266**
Ditto previous year	18,022	21,182	-14	-3,567	35,624
in EUR million 30.06.2017 / 31.12.2016					
Segment assets	**7,813.2**	**7,904.8**	**43.8**	**94.4**	**15,856.2**
Ditto previous year	8,125.5	7,680.6	41.4	88.7	15,936.2
Segment liabilities (including equity)	**14,017.4**	**900.3**	**140.8**	**797.7**	**15,856.2**
Ditto previous year	13,090.6	1,928.1	148.6	769.0	15,936.2
Risk-weighted assets	**1,180.2**	**2,878.3**	**54.6**	**85.6**	**4,198.6**
Ditto previous year	1,447.4	2,632.5	61.3	102.3	4,243.4
Capital commitment	**94.4**	**230.3**	**4.4**	**6.8**	**335.9**
Ditto previous year	115.8	210.6	4.9	8.2	339.5
CIR *)	**36.9%**	**22.2%**	**128.0%**	**-107.6%**	**55.9**%
Ditto previous year	43.4%	30.2%	106.9%	588.9%	50.5%
RoRaC **)	**17.2%**	**15.2%**	**-8.8%**	**-335.3%**	**8.4%**
Ditto previous year	13.7%	13.2%	-3.6%	-66.0%	11.0%

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

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

Supplementary information pursuant to CSSF Circular 16/636:

The **"cost/income ratio"** is a metric used for measuring efficiency. The cost/income ratio is calculated by dividing administrative expenses by earnings before taxes, costs (administrative expenses) and risk components. This new calculation method was chosen because it frees the efficiency ratio from risk components that cannot be influenced.

	30.06.2017	30.06.2016
Cost/income ratio	55.9%	39.2%
(in EUR million)		
Administrative expenses	20.3	18.5
Earnings after taxes	11.5	25.4
Taxes	3.8	10.2
Costs (administrative expenses)	20.3	18.5
Risk components	-0.8	7.0

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 higher value of the limit for committed capital or committed capital.

	30.06.2017	30.06.2016
RoRaC	8.4%	18.2%
(in EUR million)		
Earnings before taxes	15.3	35.6
Limit for committed capital	364.6	391.1
Committed capital	335.9	342.5

Additional segment information in EUR million	**Financial Markets & Sales**	**Loans**	**Client Services & B2B**	**Bank Management & Other**	**Total**
Property and equipment, net	**0.0**	**0.0**	**0.0**	**65.7**	**65.7**
Ditto previous year	0.0	0.0	0.0	66.4	66.4
Depreciation of property and equipment, current reporting period	**0.0**	**0.0**	**0.0**	**-0.8**	**-0.8**
Ditto previous year	0.0	0.0	0.0	-1.5	-1.5
Intangible assets, net	**0.0**	**0.0**	**0.0**	**24.0**	**24.0**
Ditto previous year	0.0	0.0	0.0	19.6	19.6
Amortisation of intangible assets, current reporting period	**0.0**	**0.0**	**0.0**	**-0.6**	**-0.6**
Ditto previous year	0.0	0.0	0.0	-1.4	-1.4
Change in valuation allowances on financial assets, current reporting period	**1.9**	**0.0**	**0.0**	**0.0**	**1.9**
Ditto previous year	6.9	0.0	0.0	0.0	6.9

Notes on the condensed income statement

(4) Net interest income and current income

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Interest income	**240,000**	**257,950**	**-7**
Interest income from lending and money market transactions	101,407	101,930	-1
Interest income from fixed-interest securities and debt securities	58,018	72,076	-20
Current income	0	0	-
From shares and other non-fixed-interest securities	0	0	
From investments	0	0	-
Interest income from hedging derivatives	80,559	83,941	-4
Interest income from other amortisations	0	0	-
Other interest income and similar income	20	2	> 100
Interest expenses	**-186,148**	**-212,917**	**-13**
Interest expenses from lending and money market transactions	-67,061	-61,362	9
Interest expenses from securitised liabilities	-14,520	-14,478	0
Interest expenses from subordinated capital	-446	-258	73
Interest expenses from hedging derivatives	-104,121	-136,818	-24
Interest expenses from other amortisations	0	0	-
Other interest expenses and similar expenses	-1	-1	-55
Interest rate anomalies	**2,182**	***)**	**-**
Interest expenses from asset-side lending and money market transactions	-3,205	*)	-
Interest expenses from derivatives, receiver leg	-2,117	*)	-
Interest income from liabilities-side lending and money market transactions	5,854	*)	-
Interest income from derivatives, payer leg	1,650	*)	-
Total	**56,034**	**45,033**	**24**

*) Not reported separately as of 30 June 2016, included instead under interest expenses and income.

(5) Loan loss provisions

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Income from loan loss provisions	**676**	**2,357**	**-71**
Reversal of specific valuation allowances on loans and advances	341	2,210	-85
Reversal of general loan loss provisions on loans and advances	225	22	> 100
Reversal of loan loss provisions	110	125	-12
Additions to receivables written off	0	0	-
Expenses from loan loss provisions	**-3,356**	**-433**	**> 100**
Allocations to specific valuation allowances on loans and advances	-3,300	-20	> 100
Allocations to general loan loss provisions on loans and advances	0	0	-
Allocations to loan loss provisions	0	0	-
Direct write-offs of loans and advances	-56	-413	-87
Total	**-2,680**	**1,924**	**< -100**

(6) Net commission income

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Commission income	**8,177**	**11,146**	**-27**
From securities and custody business	4,001	3,391	18
From brokerage business	0	0	-100
From lending business and financial guarantees	3,838	7,363	-48
Other commission income	338	392	-14
Commission expenses	**-23,950**	**-23,390**	**2**
From brokerage business	-12,393	-12,363	0
From lending business and financial guarantees	-9,678	-10,422	-7
Other commission expenses	-1,879	-606	> 100
Total	**-15,773**	**-12,244**	**29**

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

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Trading profit/loss	**2,409**	**-11,877**	**< -100**
Realised profit/loss	3,061	-10,845	< -100
From debt securities and other fixed-interest securities	0	-230	-100
From shares and other non-fixed-interest securities	0	0	-70
From derivatives	3,061	-10,614	< -100
Valuation result	65	-538	< -100
From debt securities and other fixed-interest securities	0	180	-100
From shares and other non-fixed-interest securities	0	0	-
From derivatives	44	-718	< -100
From loans and advances held for trading purposes	21	0	> 100
Foreign exchange result	-717	-494	45
Other profit/loss	0	0	-
Profit/loss from the use of the fair value option	**2,802**	**25,536**	**-89**
Realised profit/loss from	-914	3,286	< -100
Debt securities and other fixed-interest securities	-914	3,286	< -100
From shares and other non-fixed-interest securities	0	0	-
Own issues	0	0	-
Valuation result from	3,716	22,250	-83
Debt securities and other fixed-interest securities	-4,878	28,220	< -100
From shares and other non-fixed-interest securities	0	0	-
Own issues	8,594	-5,970	< -100
Other profit/loss	0	0	-
Total	**5,211**	**13,659**	**-62**

(8) Profit/loss from hedge accounting

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Profit/loss from micro fair value hedges	**-3,756**	**3,039**	**< -100**
From hedged underlying transactions	-52,559	8,641	< -100
From derivatives used as hedging instruments	48,803	-5,602	< -100
Total	**-3,756**	**3,039**	**< -100**

(9) Profit/loss from financial assets

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Profit/loss from financial assets classified as LaR including general loan loss provisions	**1,924**	**727**	**>100**
Profit/loss from financial assets classified as AfS (without investments)	**-255**	**4,688**	**< -100**
Profit/loss from the disposal	-255	1,029	< -100
of debt securities and other fixed-interest securities	-255	1,029	< -100
of repurchased own bonds	0	0	-
Profit/loss from valuation allowances	0	3,659	-100
of debt securities and other fixed-interest securities	0	3,659	-100
Profit/loss from affiliated companies	**0**	**0**	**-**
Total	**1,669**	**5,415**	**-69**

(10) Administrative expenses

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Staff expenses	**-10,813**	**-10,123**	**7**
Other administrative expenses	**-8,170**	**-6,863**	**19**
Depreciation and impairment losses	**-1,354**	**-1,464**	**-8**
Total	**-20,338**	**-18,450**	**10**

(11) Other operating profit/loss

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Other operating income	**578**	**1,024**	**-44**
From the reversal of provisions	0	0	-
Other income	578	1,024	-44
Other operating expenses	**-5,681**	**-3,775**	**50**
From allocations to provisions	0	-70	-100
Other expenses	-5,681	-3,706	53
Total	**-5,103**	**-2,752**	**85**

(12) Income taxes

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

	01.01.2017-30.06.2017 (EUR thousand)	01.01.2016-30.06.2016 (EUR thousand)	Change in %
Current income taxes	-3,976	-10,200	-61
Deferred taxes	196	0	>100
Total	**-3,780**	**-10,200**	**-63**

Notes to the balance sheet

(13) Loans and advances to banks

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Loans and advances resulting from money market transactions	**1,230.4**	**963.0**	**28**
Domestic banks	0.0	270.0	-100
Foreign banks	1,230.4	693.0	78
Other loans and advances	**298.2**	**277.5**	**7**
Domestic banks	34.8	11.6	> 100
Due on demand	34.8	11.6	> 100
With a fixed term or period of notice	0.0	0.0	-
Foreign banks	263.5	265.9	-1
Due on demand	18.2	10.5	73
With a fixed term or period of notice	245.3	255.4	-4
Total	**1,528.6**	**1,240.5**	**23**

(14) Loans and advances to customers

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Loans and advances resulting from money market transactions	**5.1**	**465.4**	**-99**
Domestic customers	0.0	0.0	-
Customers abroad	5.1	465.4	-99
Other loans and advances	**7,973.1**	**7,776.8**	**3**
Domestic customers	106.3	151.4	-30
Due on demand	1.1	3.0	-64
With a fixed term or period of notice	105.2	148.5	-29
Customers abroad	7,866.9	7,625.3	3
Due on demand	58.8	31.7	86
With a fixed term or period of notice	7,808.0	7,593.6	3
Total	**7,978.2**	**8,242.2**	**-3**

(15) Risk provisioning

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Specific valuation allowances on loans and advances	**-22.7**	**-19.9**	**14**
General loan loss provisions on loans and advances	**-3.2**	**-3.4**	**-7**
Total	**-25.9**	**-23.3**	**11**

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

in EUR million	Specific valuation allowances	General loan loss provisions	Loan loss provisions	Total
01.01.2016	**36.4**	**3.5**	**0.9**	**40.8**
Allocations	0.1	0.0	0.0	**0.2**
Reversals	-0.4	-0.1	-0.1	**-0.6**
Utilisation	-16.7	0.0	0.0	**-16.7**
Effects of changes in foreign exchange rates, unwinding and other changes	0.6	0.0	0.0	**0.6**
Reclassifications	0.0	0.0	0.0	**0.0**
31.12.2016	**19.9**	**3.4**	**0.9**	**24.2**
Allocations	3.3	0.0	0.0	**3.3**
Reversals	-0.3	-0.2	-0.1	**-0.7**
Utilisation	-0.2	0.0	0.0	**-0.2**
Effects of changes in foreign exchange rates, unwinding and other changes	0.0	0.0	0.0	**0.0**
Reclassifications	0.0	0.0	0.0	**0.0**
30.06.2017	**22.7**	**3.2**	**0.7**	**26.6**

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

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

In EUR million	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Financial assets held for trading	**60.3**	**92.4**	**-35**
Debt securities and other fixed-interest securities	0.0	0.0	-
Shares and other non-fixed-interest securities	0.0	0.0	-
Positive fair values from derivatives	50.3	91.0	-45
Trading portfolio claims	10.0	1.4	>100
Financial assets designated at fair value	**1,038.1**	**882.1**	**18**
Loans and advances to banks and customers	0.0	0.0	-
Debt securities and other fixed-interest securities	1,038.1	882.1	18
Shares and other non-fixed-interest securities	0.0	0.0	-
Total	**1,098.4**	**974.5**	**13**

(17) Financial assets

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

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Financial assets classified as LaR	**2,159.9**	**2,385.3**	**-9**
Financial assets classified as AfS	**2,309.9**	**2,645.6**	**-13**
Debt securities and other fixed-interest securities	2,309.9	2,645.6	-13
Shares and other non-fixed-interest securities	0	0	0
Shares in companies	0	0	0
Total	**4,469.8**	**5,030.8**	**-11**

Financial assets classified as LaR include general provisions in the amount of EUR 16.9 million.

No reclassifications were made during the reporting period.

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

The reporting in the balance sheet was also changed to reflect the reclassifications (shown in reclassification). The following table shows the carrying amounts and fair value of the reclassified assets in the predecessor institution NORD/LB CFB as well as the balance as at 30 June 2017 in NORD/LB CBB:

in EUR million	30.06.2017			31.12.2016			31.12.2015		
	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value
Reclassified financial assets	329.7	438.8	430.5	359.3	492.5	477.9	367.0	514.5	497.2

in EUR million	31.12.2014			31.12.2013			31.12.2012		
	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value
Reclassified financial assets	407.2	629.7	595.8	407.2	580.6	508.9	446.2	644.5	510.3

in EUR million	31.12.2011			31.12.2010			31.12.2009		
	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value
Reclassified financial assets	529.3	698.4	569.7	544.4	660.3	627.9	645.6	731.4	712.1

in EUR million	31.12.2008			01.07.2008		
	Carrying amount on reclassification date	Carrying amount	Fair value	Carrying amount on reclassification date	Carrying amount	Fair value
Reclassified financial assets	645.6	746.7	719.5	645.6	645.6	645.6

The assets were reclassified at their carrying amounts with the expected realisable cash flows of EUR 1,038.5 million. The profit/loss recognised in equity from the reclassified securities amounted to EUR -13.2 million at the time of the reclassification. The pro rata reversal of this item is recognised in accordance with IAS 39.54 in net interest income. The effective interest rate was determined for each security. These rates range between 2.5 per cent and 5.75 per cent.

in EUR thousand	30.06.2017	31.12.2016	2008-2014
Unrealised profit/loss before taxes on date of reclassification	-	-	-13,194
Pro rata reversal in accordance with IAS 39.54	203	395	3,725

The pro rata reversal in 2016 negatively impacted net interest income in the amount of EUR 203 thousand (previous year: EUR 193 thousand). The following additional effects on equity would have occurred without the reclassification (each accumulated as at the reporting date):

in EUR million	30.06.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Unrealised profit/loss before taxes	-16.8	-23.3	-26.3	-36.1	-71.9	-135.2	-128.7	-32.4	-19.3
Deferred taxes	4.4	6.3	7.7	10.5	21.0	39.5	37.1	9.3	5.5
Net effect on equity from reclassified, designated financial assets held for sale	**-12.4**	**-17.0**	**-18.6**	**-25.6**	**-50.9**	**-95.7**	**-91.6**	**-23.1**	**-13.8**

in EUR million	31.12.2008	01.07.2008
Unrealised profit/loss before taxes	-27.1	-13.2
Deferred taxes	8.0	3.9
Net effect on equity from reclassified, designated financial assets held for sale	**-19.1**	**-9.3**

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

Name/registered office	Share of capital	Investment carrying amount at 30.06.2017 (EUR thousand)	Equity before revaluation reserve at 30.06.2017 (EUR thousand)	Profit/loss at 30.06.2017 (EUR thousand)
Galimondo S.à r.l., Luxembourg	100%	13	72	-5
Total		**13**	**72**	**-5**

(18) Property and equipment

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Land and buildings	62.3	62.6	0
Operating and office equipment	3.4	3.8	-12
Construction in progress	0.0	0.0	-
Other property and equipment	0.0	0.0	-
Total	**65.7**	**66.4**	**-1**

(19) Intangible assets

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Software	8.7	9.1	-5
Intangible assets under development	15.4	10.5	47
Other	0.0	0.0	-
Total	**24.0**	**19.6**	**23**

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

(20) Other assets

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Tax assets from other taxes	0.1	0.1	69
Other assets	0.0	0.0	31
Other assets including prepaid expenses	3.9	1.8	> 100
Total	**4.0**	**1.8**	**> 100**

Other assets comprise primarily deferred items and intragroup receivables.

(21) Liabilities to banks

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Deposits from other banks	**2,730.4**	**2,869.6**	**-5**
Domestic banks	550.0	57.5	> 100
Foreign banks	2,180.4	2,812.1	-22
Liabilities resulting from money market transactions	**3,587.0**	**3,422.3**	**5**
Domestic banks	443.1	243.6	82
Foreign banks	3,144.0	3,178.7	-1
Other liabilities	**259.4**	**320.1**	**-19**
Domestic banks	117.6	115.9	1
Due on demand	116.7	115.2	1
With a fixed term or period of notice	0.8	0.7	17
Foreign banks	141.8	204.2	-31
Due on demand	141.8	204.2	-31
With a fixed term or period of notice	0.0	0.0	-
Total	**6,576.9**	**6,612.1**	**-1**

(22) Liabilities to customers

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Savings deposits	**0.0**	**0.0**	**-**
Liabilities resulting from money market transactions	**1,561.9**	**1,989.5**	**-21**
Domestic customers	652.2	663.6	-2
Customers abroad	909.7	1,325.9	-31
Other liabilities	**1,542.6**	**1,423.3**	**8**
Domestic customers	37.7	28.4	32
Due on demand	37.7	28.4	32
With a fixed term or period of notice	0.0	0.0	-
Customers abroad	1,504.9	1,394.9	8
Due on demand	99.7	120.2	-17
With a fixed term or period of notice	1,405.2	1,274.7	10
Total	**3,104.5**	**3,412.8**	**-9**

(23) Securitised liabilities

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Issued debt securities	3,630.2	3,221.8	13
Money market securities/commercial paper	0.0	0.0	-
Other securitised liabilities	0.0	0.0	-
Total	**3,630.2**	**3,221.8**	**13**

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

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

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

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Financial liabilities held for trading	**94.4**	**101.7**	**-7**
Negative fair values from derivatives in connection with:	94.4	101.7	-7
Interest rate risks	72.6	71.4	2
Currency risk	21.9	30.3	-28
Financial liabilities designated at fair value	**1,039.2**	**1,047.4**	**-1**
Liabilities to banks and customers	0.0	0.0	-
Securitised liabilities	1,039.2	1,047.4	-1
Total	**1,133.7**	**1,149.2**	**-1**

(25) Provisions

Provisions are broken down as follows:

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Provisions for reorganisation measures	**3.9**	**3.9**	**0**
Provisions for pensions and similar obligations	**3.8**	**3.8**	**0**
Other provisions	**13.2**	**13.9**	**-5**
Total	**20.9**	**21.6**	**-3**

Provisions for pensions

NORD/LB CBB has not recalculated its provisions for pensions as at 30 June 2017. The applicable discount rate for pension provisions increased as at the reporting date to 2.05 per cent, from 1.95 per cent previously. A sensitivity analysis performed on this change shows that it results in a decrease of about EUR 175 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.

(26) Other liabilities

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Liabilities resulting from outstanding invoices	4.4	3.7	20
Liabilities from short-term employee remuneration	4.1	3.5	16
Deferred income	1.7	3.0	-45
Liabilities from payable taxes and social insurance contributions	2.7	3.1	-12
Other liabilities	4.6	1.8	> 100
Total	**17.5**	**15.2**	**15**

(27) Subordinated capital

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

	30.06.2017 (EUR million)	31.12.2016 (EUR million)	Change in %
Subordinated liabilities	57.0	61.7	-8
Participatory capital	0.0	0.0	-
Silent participations	0.0	0.0	-
Total	**57.0**	**61.7**	**-8**

Notes on financial instruments

Fair value of financial instruments

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

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

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

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

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

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

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

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

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

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

Financial instruments are accordingly allocated to Level 3 if the internal ratings of the internal ratings-based approach (pursuant to CRR) applied by NORD/LB are used in the process. This applies irrespective of whether the internal data for the regulatory approval test have been calibrated with data from publicly available ratings, which are the basis of market participants' pricing decisions.

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

All relevant factors are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty risk and business-typical discounting factors. The mid-market price in the bid-ask spread is always used for the measurement. The financial instruments 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 mid-market price is an observable input in the measurement method.

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

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

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

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

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

(28) Fair value of financial instruments

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

in EUR million	Fair value on 30.06.2017	Carrying amount on 30.06.2017	Difference on 30.06.2017	Fair value on 31.12.2016	Carrying amount on 31.12.2016	Difference on 31.12.2016
Assets	**12,102.0**	**12,041.7**	**60.3**	**11,930.4**	**11,901.0**	**29.4**
Cash reserve	400.8	400.8	0.0	56.5	56.5	0.0
Loans and advances to banks	1,528.9	1,528.6	0.3	1,241.0	1,240.5	0.5
Loans and advances to customers	8,208.8	7,978.2	230.6	8,497.4	8,242.2	255.2
Risk provisioning	-25.9	-25.9	0.0	-23.3	-23.3	0.0
Loans and advances after risk provisioning	9,711.9	9,481.0	230.8	9,715.1	9,459.3	255.7
Financial assets	1,989.3	2,159.9	-170.6	2,158.9	2,385.3	-226.3
Liabilities	**13,581.8**	**13,368.5**	**213.3**	**13,601.1**	**13,308.4**	**292.7**
Liabilities to banks	6,761.9	6,576.9	185.0	6,833.9	6,612.1	221.8
Liabilities to customers	3,122.5	3,104.5	18.0	3,468.3	3,412.8	55.4
Securitised liabilities	3,640.4	3,630.2	10.2	3,237.3	3,221.8	15.5
Subordinated capital	57.0	57.0	0.0	61.7	61.7	0.0

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

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

The unrealised losses (after risk provisioning) on financial assets amounting to EUR 170.6 million were down by EUR 55.8 million compared with the previous year (EUR 226.3 million).

(29) Fair value hierarchy

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

30.06.2017 in EUR million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Financial assets held for trading	**0.0**	**40.3**	**0.0**	**40.3**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	**0.0**
Positive fair values from derivatives	0.0	40.3	0.0	**40.3**
Interest rate risks	0.0	36.9	0.0	**36.9**
Currency risk	0.0	3.4	0.0	**3.4**
Financial assets designated at fair value	**1,038.1**	**0.0**	**0.0**	**1,038.1**
Positive fair values from hedge accounting derivatives	**0.0**	**321.7**	**0.0**	**321.7**
Interest rate risks	0.0	201.6	0.0	**201.6**
Currency risk	0.0	120.0	0.0	**120.0**
Financial assets (on a fair value basis)	**1,737.15**	**572.73**	**0.00**	**2,309.90**
Debt securities and other fixed-interest securities	1,737.13	572.73	0.00	**2,309.90**
Shares and other non-fixed-interest securities	0.0	0.0	0.0	**0.0**
Assets	**2,775.3**	**934.7**	**0.0**	**3,710.0**
Financial liabilities held for trading	**0.0**	**94.4**	**0.0**	**94.4**
Negative fair values from derivatives	0.0	94.4	0.0	**94.4**
Interest rate risks	0.0	72.6	0.0	**72.6**
Currency risk	0.0	21.9	0.0	**21.9**
Financial liabilities designated at fair value	**496.3**	**542.9**	**0.0**	**1,039.2**
Negative fair values from hedge accounting derivatives	**0.0**	**609.8**	**0.0**	**609.8**
Interest rate risks	0.0	587.9	0.0	**587.9**
Currency risk	0.0	21.9	0.0	**21.9**
Liabilities	**496.3**	**1,247.1**	**0.0**	**1,743.4**

31.12.2016 in EUR million	Level 1 (Mark-to-Market)	Level 2 (Mark-to-Matrix)	Level 3 (Mark-to-Model)	Total
Financial assets held for trading	**0.0**	**91.0**	**0.0**	**91.0**
Debt securities and other fixed-interest securities	0.0	0.0	0.0	**0.0**
Positive fair values from derivatives	0.0	89.7	0.0	**89.7**
Interest rate risks	0.0	55.5	0.0	**55.5**
Currency risk	0.0	34.2	0.0	**34.2**
Trading portfolio claims	0.0	1.4	0.0	**1.4**
Financial assets designated at fair value	**854.4**	**27.7**	**0.0**	**882.1**
Positive fair values from hedge accounting derivatives	**0.0**	**327.7**	**0.0**	**327.7**
Interest rate risks	0.0	233.0	0.0	**233.0**
Currency risk	0.0	94.7	0.0	**94.7**
Financial assets (on a fair value basis)	**1,841.8**	**803.8**	**0.0**	**2,645.6**
Debt securities and other fixed-interest securities	1,841.8	803.8	0.0	**2,645.6**
Assets	**2,696.2**	**1,250.2**	**0.0**	**3,946.5**
Financial liabilities held for trading	**0.0**	**101.7**	**0.0**	**101.7**
Negative fair values from derivatives	0.0	101.7	0.0	**101.7**
Interest rate risks	0.0	71.4	0.0	**71.4**
Currency risk	0.0	30.3	0.0	**30.3**
Financial liabilities designated at fair value	**0.0**	**1,047.4**	**0.0**	**1,047.4**
Negative fair values from hedge accounting derivatives	**0.0**	**706.7**	**0.0**	**706.7**
Interest rate risks	0.0	594.5	0.0	**594.5**
Currency risk	0.0	112.2	0.0	**112.2**
Liabilities	**0.0**	**1,855.9**	**0.0**	**1,855.9**

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

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

01.01.2016 - 30.06.2017 in EUR million	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Financial assets held for trading	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value	0.0	27.7	0.0	0.0	0.0	0.0
Financial assets (on a fair value basis)	0.0	137.7	0.0	0.0	0.0	0.0
Assets	**0.0**	**165.3**	**0.0**	**0.0**	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Five securities in the AfS category and securities in the FVO category switched from Level 2 to Level 1 as a result of improved liquidity. Transfers between levels were made for approximately 3 per cent of NORD/LB CBB’s total portfolio of securities.

The following level transfers took place in the previous year:

01.01.2016 - 31.12.2016 in EUR million	From Level 1 to Level 2	From Level 1 to Level 3	From Level 2 to Level 1	From Level 2 to Level 3	From Level 3 to Level 1	From Level 3 to Level 2
Financial assets held for trading	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets designated at fair value	0.0	0.0	25.2	0.0	0.0	0.0
Financial assets (on a fair value basis)	21.5	0.0	350.3	0.0	0.0	0.0
Assets	**21.5**	**0.0**	**375.5**	**0.0**	**0.0**	**0.0**
Liabilities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

One security in the “Financial assets designated at fair value” category switched from matrix valuation (Level 2) to market valuation (Level 1). Likewise, 13 securities from the AfS category changed from the matrix valuation (Level 2) to the market valuation (Level 1). One security also switched from Level 1 to Level 2. Transfers between levels were made for approximately 6 per cent of NORD/LB CBB’s total portfolio of securities.

(30) Derivative financial instruments

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

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

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

in EUR million	Nominal values on 30.06.2017	Nominal values on 31.12.2016	Positive fair values on 30.06.2017	Positive fair values on 31.12.2016	Negative fair values on 30.06.2017	Negative fair values on 31.12.2016
Interest rate risks	**7,168.6**	**7,207.4**	**238.6**	**288.5**	**587.5**	**666.0**
Currency risk	**4,643.9**	**7,523.9**	**123.4**	**128.9**	**116.7**	**142.4**
Equity and other price risks	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Credit derivatives	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total	**11,812.5**	**14,731.3**	**362.0**	**417.4**	**704.2**	**808.4**

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

Nominal values in EUR million	Interest rate risks		Currency risk		Equity and other price risks		Credit derivatives	
	30.06.2017	**31.12.2016**	**30.06.2017**	**31.12.2016**	**30.06.2017**	**31.12.2016**	**30.06.2017**	**31.12.2016**
Remaining terms to maturity								
Up to 3 months	347.3	218.5	2,957.7	5,768.9	0.0	0.0	0.0	0.0
More than 3 months & up to 1 year	836.1	759.6	14.2	197.7	0.0	0.0	0.0	0.0
More than 1 year & up to 5 years	2,638.4	2,652.6	240.0	237.8	0.0	0.0	0.0	0.0
More than 5 years	3,346.7	3,576.7	1,431.9	1,319.5	0.0	0.0	0.0	0.0
Total	**7,168.6**	**7,207.4**	**4,643.9**	**7,523.9**	**0.0**	**0.0**	**0.0**	**0.0**

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

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

in EUR million	Nominal values		Positive fair values		Negative fair values	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Banks in the OECD	10,444.0	14,533.9	358.4	412.9	699.3	807.6
Banks outside the OECD	0.0	109.0	0.0	0.1	0.0	0.2
Public-sector entities in the OECD	0.0	0.0	0.0	0.0	0.0	0.0
Other counterparties (including exchange contracts)	1,368.5	88.4	3.6	4.4	4.8	0.6
Total	**11,812.5**	**14,731.3**	**362.0**	**417.4**	**704.2**	**808.4**

(31) Offsetting of financial assets and liabilities

The effects or potential effects of claims for compensation relating to the Bank's financial assets and liabilities at the end of the first half of 2017 and at 31 December 2016 are shown in the following tables:

30.06.2017 (EUR million)	Gross amount before offsetting	Amount of offsetting	Net amount after offsetting	Master netting arrangements and similar arrangements excluding offsetting			Net amount
					Collateral		
					Securities as collateral	Cash collateral	
Assets	**1,033.2**	**0.0**	**1,033.2**	**-904.8**	**0.0**	**-127.9**	**0.4**
Derivatives	358.2	0.0	358.2	-229.9	0.0	-127.9	0.4
Securities lending and repurchase transactions	675.0	0.0	675.0	-675.0	0.0	0.0	0.0
Liabilities	**1,949.2**	**0.0**	**1,949.2**	**-904.8**	**-568.8**	**-459.1**	**16.4**
Derivatives	702.8	0.0	702.8	-229.9	0.0	-459.1	13.8
Securities lending and repurchase transactions	1,246.4	0.0	1,246.4	-675.0	-568.8	0.0	2.6

31.12.2016 (EUR million)	Gross amount before offsetting	Amount of offsetting	Net amount after offsetting	Master netting arrangements and similar arrangements excluding offsetting			Net amount
					Collateral		
					Securities as collateral	Cash collateral	
Assets	**1,048.1**	**0.0**	**1,048.1**	**-459.2**	**-435.9**	**-19.5**	**133.5**
Derivatives	412.7	0.0	412.7	-289.2	0.0	-19.5	104.0
Securities lending and repurchase transactions	635.4	0.0	635.4	-170.0	-435.9	0.0	29.5
Liabilities	**2,015.2**	**0.0**	**2,015.2**	**-459.2**	**-1,035.8**	**-493.2**	**27.0**
Derivatives	803.3	0.0	803.3	-289.2	0.0	-493.2	20.9
Securities lending and repurchase transactions	1,211.9	0.0	1,211.9	-170.0	-1,035.8	0.0	6.1

(32) Disclosures concerning selected countries

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

in EUR million	Assets available for sale		Loans and receivables	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Portugal				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/others	0.0	0.0	18.6	20.9
Total	**0.0**	**0.0**	**18.6**	**20.9**
Ireland				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/others	0.0	0.0	0.5	0.5
Total	**0.0**	**0.0**	**0.5**	**0.5**
Italy				
Sovereign exposure	99.0	103.9	37.4	38.9
Financial institutions/insurance companies	0.0	28.5	48.6	48.7
Corporates/others	0.0	0.0	0.6	2.7
Total	**99.0**	**132.4**	**86.6**	**90.4**
Hungary				
Sovereign exposure	0.0	0.0	79.0	83.1
Financial institutions/insurance companies	0.0	0.0	0.0	0.0
Corporates/others	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**79.0**	**83.1**
Spain				
Sovereign exposure	0.0	0.0	0.0	0.0
Financial institutions/insurance companies	0.0	31.3	231.4	242.1
Corporates/others	0.0	0.0	2.1	2.2
Total	**0.0**	**31.3**	**233.6**	**244.3**
TOTAL	**99.0**	**163.7**	**418.3**	**439.2**

The above figures do not include any credit derivatives.

For the financial instruments categorised as available for sale with acquisition costs totalling EUR 99.0 million (previous year: EUR 163.7 million), the cumulative valuation result reported in equity for the selected countries totals EUR -14.9 million (previous year: EUR -12.6 million). No impairment losses were recognised in the income statement for the period (previous year: EUR 0.0 million).

General loan loss provisions amounting to EUR 5.3 million (previous year: EUR 5.6 million) are in place for the receivables in the loans and receivables category relating to the selected countries. The fair value of these receivables in the loans and receivables category is EUR 398.4 million (previous year: EUR 412.6 million).

Additional information

(33) Regulatory information

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

Risk-weighted asset values

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

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

On the reporting date of 30 June 2017, NORD/LB CBB's risk-weighted assets (RWA) were distributed as follows compared with the previous year:

	30.06.2017 (EUR million)	31.12.2016 (EUR million)
Total risk exposure amount	4,311.5	4,209.7
Capital requirements for credit risk	330.6	321.7
Capital requirements for operational risks	13.5	14.0
Capital requirements for market risks	0.1	0.1
Capital requirements for loan amount adjustments	0.7	0.9
Capital requirements	**344.9**	**336.9**

The total risk-weighted risk assets give rise to a capital requirement of EUR 344.9 million on 30 June 2017 (previous year: EUR 336.9 million).

Regulatory capital

	30.06.2017 (EUR million)	31.12.2016 (EUR million)
Paid-in capital	205.0	205.0
Other reserves	445.5	445.5
Intangible assets	-24.0	-19.6
Additional valuation adjustments	-4.3	-4.5
Negative effect from the calculation of the expected loss contributions	-0.6	-1.4
Tier 1 capital	**621.5**	**625.1**
Capital instruments and associated premiums	5.7	12.3
Credit risk adjustments	11.1	11.8
Deductions from supplementary capital	0.0	0.0
Supplementary capital	**16.8**	**24.0**
Own funds	**638.3**	**649.1**

Minimum capital ratios

The Bank maintained the minimum capital ratios at all times in the 2017 reporting period and in 2016.

	30.06.2017 (EUR million)	31.12.2016 (EUR million)
Common equity tier 1 capital ratio	14.4%	14.8%
Tier 1 capital ratio	14.4%	14.8%
Total capital ratio	14.8%	15.4%

(34) Contingent liabilities and other obligations

	30.06.2017 (EUR million)	31.12.2016 (EUR million)
Contingent liabilities	**132.6**	**133.3**
Contingent liabilities under rediscounted bills of exchange	0.0	0.0
Liabilities arising from guarantees and indemnity agreements	132.6	133.3
Irrevocable lending commitments	**1,589.8**	**1,917.2**
Total	**1,722.4**	**2,050.5**

(35) Events after the balance sheet date

No significant events occurred between the balance sheet date of 30 June 2017 and the preparation of these financial statements by the Managing Board on 29 August 2017.

(36) Related party disclosures

The scope of transactions with related companies and persons in 2017 and 2016 can be seen from the following lists. Changes in the group of related companies and persons lead to adjustments of the previous year's figures where necessary:

in EUR thousand	Shareholders		Persons in key functions		Other related parties	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Outstanding loans and advances	77,221	31,655	0	0	0	0
to banks	77,221	31,655	0	0	0	0
to customers	0	0	0	0	0	0
Financial assets at fair value through profit or loss	323,107	354,591	0	0	0	0
Other assets	7,464	7,619	0	0	13	50
Total assets	**407,792**	**393,864**	**0**	**0**	**13**	**50**
Outstanding liabilities	2,136,265	2,187,127	0	0	79	4,384
to banks	2,136,265	2,187,127	0	0	0	0
to customers	0	0	0	0	79	4,384
Securitised liabilities	1,711,298	1,465,893	0	0	31,970	46,948

Trading and hedge derivatives on liabilities side	788,702	816,477	0	0	1,396	2,307
Subordinated capital	56,958	61,666	0	0	0	0
Other liabilities	10,946	10,335	0	1,840	0	122
Total liabilities and equity	**4,704,169**	**4,541,498**	**0**	**1,840**	**33,445**	**53,761**
Guarantees / sureties granted	**0**	**0**	**0**	**0**	**0**	**0**
in EUR thousand	**01.01.2017-30.06.2017**	**01.01.2016-30.06.2016**	**01.01.2017-30.06.2017**	**01.01.2016-30.06.2016**	**01.01.2017-30.06.2017**	**01.01.2016-30.06.2016**
Interest expenses	-56,777	-70,664	0	0	-732	-772
Interest income	44,466	40,975	0	0	21	166
Commission expenses	-19,357	-20,173	0	0	-2,874	-1,464
Commission income	3,035	0	0	0	220	45
Other income and expenses	-7,124	104,226	0	-1,340	633	1,045
Total earnings contributions	**-35,756**	**54,364**	**0**	**-1,340**	**-2,731**	**-980**

(37) Members of executive bodies and their positions

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 Norddeutsche Landesbank Girozentrale, Hanover
- Ulrike Brouzi, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover (Deputy Chair)
- Christoph Dieng, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover
- Walter Kleine, Member of the Managing Board of Seghorn AG, Bremen
- Dr Ulf Meier, General Representative of Norddeutsche Landesbank Girozentrale, Hanover
- Günter Tallner, Member of the Managing Board of Norddeutsche Landesbank Girozentrale, Hanover

Mandates

The following mandates were executed by the members of the Managing Board of NORD/LB Luxembourg S.A. Covered Bond Bank in the first half of 2017:

Thorsten Schmidt

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

Responsibility statement

Responsibility statement

We declare that to the best of our knowledge, these condensed interim financial statements of NORD/LB Luxembourg S.A. Covered Bond Bank as of 30 June 2017 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, 29 August 2017

NORD/LB Luxembourg S.A. Covered Bond Bank

Thorsten Schmidt

Member of the Managing Board

NORD/LB Luxembourg S.A. Covered Bond Bank

Manfred Borchardt

Member of the Managing Board

NORD/LB Luxembourg S.A. Covered Bond Bank