

**Disclosure Report
in accordance with the EU Capital
Requirements Regulation (CRR)**

as at 30 June 2016

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The rounding of figures may result in minor differences in the totals and percentages calculated in this report.

1 Preamble

With this report as at 30 June 2016, the Norddeutsche Landesbank Girozentrale, Hanover, (NORD/LB), as the superordinate institute of the NORD/LB Group, discloses the required qualitative and quantitative information of the NORD/LB Group in accordance with CRR as of the aforementioned effective date.

The disclosure report is issued as an additional document to the annual report of the NORD/LB Group. The annual report has been compiled in accordance with the International Financial Reporting Standards (IFRS).

Information on the structure and adequacy of capital, credit risks in the IRB approach and the leverage ratio has been disclosed. The table “Main features of capital instruments” is published as a separate file due to its size.

The disclosure in this scope is carried out pursuant to EBA/GL/2014/14, since the consolidated assets are over EUR 30 billion. As the Bremer Landesbank Kreditanstalt Oldenburg – Girozentrale –, Bremen and the NORD/LB Luxembourg S.A. Covered Bond Bank have not reached this amount, no separate Disclosure Report for these significant participating interests will be issued.

The quantitative information in this report is based on the IFRS, which were also the basis for drawing up the regulatory reports in the NORD/LB Group as of the reporting date and in accordance with CRR. For additional information in the context of risk, in particular the representation of the organisation of risk management including the risk management models used, please refer to the Management Report of the NORD/LB Group, the basic information of the NORD/LB Group as well as the Forecast, Opportunities and Risk Report. Here detailed explanations are given on the risk development for each material type of risk during the reporting period, as well as an outlook on expected future developments.

The Disclosure Report is published in accordance with CRR Article 434 on NORD/LB's website at www.nordlb.de/investor-relations/reports.

2 Capital Structure and Adequacy

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2.1 Method used for Balance-Sheet Reconciliation

In accordance with CRR Article 437 (1) a), a reconciliation of the equity items – including the regulatory corrections and deductions – is carried out for the audited balance sheet. The table only illustrates positions which are relevant to the regulatory capital.

The deviation between IFRS and FinRep values is mainly due to the different consolidation groups under commercial law and the applicable regulatory law.

Table 1: Reconciliation statement

Assets	IFRS 30 June 2016 (in € million)	FinRep 30 June 2016 (in € million)	Ref.
Financial assets at fair value through profit or loss	12 687	12 693 ¹⁾	
of which: non-significant investments in Common Equity Tier 1		8	9
Financial assets	34 431	35 173	
of which: significant investments in Common Equity Tier 1		248	10
of which: non-significant investments in Common Equity Tier 1		217	9
of which: significant investments in Additional Tier 1 capital		35	9
of which: non-significant investments in Common Equity Tier 1		115	9
Investments accounted for using the equity method	292	272 ³⁾	11
of which: Goodwill		13	6
Intangible assets	150	150	6
Deferred income taxes	864	3 957	
of which: deferred tax assets not due to temp. differences (losses c/f)		114	7
of which: deferred tax assets due to temp. differences		3 843	8
Liabilities	IFRS 30 June 2016 (in € million)	FinRep 30 June 2016 (in € million)	Ref.
Financial liabilities at fair value through profit or loss	16 053	16 062 ^{1) 2)}	
Negative fair values from hedge accounting derivatives	3 821	3 821 ²⁾	
Deferred income taxes	118	3 166	
of which: deferred tax liabilities relating to intangible assets		19	6
of which: deferred tax liabilities not due to temp. differences		79	7
of which: deferred tax liabilities due to temp. differences		2 975	8
Subordinated capital	3 839	3 826	12
Equity			
Subscribed capital	1 607	1 607	1
Capital reserves	3 332	3 332	2
Retained earnings	1 961	2 038	3
Revaluation reserve	406	357	4
Currency translation reserve	- 8	- 8	5
Additional equity components	49	49	
Equity attributable to the owners of NORD/LB	7 347	7 375	
Non-controlling interests	415	681	
Total Equity	7 762	8 056	

¹⁾ The financial assets and liabilities at fair value through profit or loss include written credit derivatives for finance companies with a nominal value of € 44 million.

²⁾ Debit value adjustments (DVA) result from original and derivative liabilities. As at the reporting date DVA total € - 46 million.

³⁾ Shares in finance companies, which are accounted for in the consolidated financial statements using the equivalence method in accordance with § 32 of the German Solvency Regulation, are included in capital calculation in the threshold process.

The capital of the NORD/LB Group amounts to €10,353 million as at 30 June 2016. This is made up of Tier 1 Capital of € 7,987 million and Tier 2 Capital of € 2,366 million. The Tier 1 Capital consists of instruments of Common Equity Tier 1 Capital (€ 7,700 million) as well as instruments of the Additional Tier 1 Capital (€ 287 million).

The Common Equity Tier 1 Capital consists of paid-up capital instruments (€ 1,607 million), premiums (€ 3,322 million), retained earnings (€ 2,861 million), accumulated other comprehensive income (€ -211 million), and eligible instruments of Common Equity Tier 1 Capital from subsidiaries (€ 705 million). In addition, as of the reporting date protected instruments amounting to € 37 million as well as interim losses during the year (€ -264 million) are included in the Common Equity Tier 1 Capital.

Regulatory adjustments in the amount of € 357 million, however, subsequently reduce the Common Equity Tier 1 Capital.

The Additional Tier 1 Capital only contains effects from the transitional arrangements of CRR. This results in a positive balance from the effects of the transitional arrangements in the amount of € 287 million in Additional Tier 1 Capital.

The Tier 2 Capital consists of paid-up capital instruments (€ 2,657 million) and eligible instruments of Tier 2 Capital from subsidiaries (€ 205 million). The transitional arrangements or deductions lead to a reduction in the Tier 2 Capital of € 496 million.

Table 2 below shows the composition of the regulatory capital during the transitional period, and was drawn up in accordance with the Commission's Implementing Regulation (EU) No 1423/2013.

Table 2: Transitional own funds disclosure template

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Common Equity Tier 1: Instruments and reserves				
Capital instruments and the related share premium accounts	4 930	Art. 26 (1), 27, 28, 29 CRR in conjunction with EBA breakdown in accordance with Art. 26 (3) CRR		
of which: Subscribed capital	1 607	EBA breakdown in accordance with Art. 26 (3) CRR		1
of which: Capital reserves	3 322	EBA breakdown in accordance with Art. 26 (3) CRR		2
Retained earnings	2 861	Art. 26 (1) (c) CRR		3
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	- 211	Art. 26 (1) CRR		
of which: Revaluation reserve	- 200			4
of which: Currency translation reserve	- 11			5
Amount of qualifying items referred to in Art. 484 (3) CRR and the related share premium accounts subject to phase out from CET 1	37	Art. 486 (2) CRR		
Public sector capital injections grandfathered until 1 January 2018	N/A	Art. 483 (2) CRR		
Minority Interests (amount allowed in consolidated CET1)	705	Art. 84, 479, 480 CRR	0	
Independently reviewed interim profits net of any foreseeable charge or dividend	0	Art. 26 (2) CRR		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	8 322			
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
Additional valuation adjustments (negative amount)	- 66	Art. 34, 105 CRR		
Intangible assets (net of related tax liability) (negative amount)	- 86	Art. 36 (1) (b), 37, 472 (4) CRR	- 58	6
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Art. 38 (3) are met) (negative amount)	- 21	Art. 36 (1) (c), 38, 472 (5) CRR	- 14	7
Fair value reserves related to gains or losses on cash flow hedges	0	Art. 33 (a) CRR		
Negative amounts resulting from the calculation of expected loss amounts	- 252	Art. 36 (1) (d), 40, 159, 472 (6) CRR	- 168	
Any increase in equity that results from securitised assets (negative amount)	0	Art. 32 (1) CRR		

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	- 34	Art. 33 (b) CRR		
Gains or losses on derivative liabilities valued at fair value resulting from the Institution's own credit risk	- 7	Art. 33 (c) CRR	- 5	
Defined-benefit pension fund assets (negative amount)	0	Art. 36 (1) (e), 41, 472 (7) CRR	0	
Direct and indirect holdings by an institution of own CET1 (negative amount)	0	Art. 36 (1) (f), 42, 472 (8) CRR	0	
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	Art. 36 (1) (g), 44, 472 (9) CRR	0	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a <u>significant investment in those entities</u> (amount below the 10 % threshold and net of eligible short positions) (negative amount)	0	Art. 36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10) CRR	0	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a <u>significant investment</u> in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	Art. 36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1 bis 3), 79, 470, 472 (11) CRR	0	
Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	0	Art. 36 (1) (k) CRR		
of which: qualifying holdings outside the financial sector (negative amount)	0	Art. 36 (1) (k) (i), 89, 90, 91 CRR		
of which: securitisation positions (negative amount)	0	Art. 36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258 CRR		
of which: free deliveries (negative amount)	0	Art. 36 (1) (k) (iii), 379 (3) CRR		
Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in Art. 38 (3) CRR are met) (negative amount)	- 89	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR	- 48	8
Amount exceeding the 15 % threshold (negative amount)	0	Art. 48 (1) CRR		
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	Art. 36 (1) (i), 48 (1) (b), 470, 472 (11) CRR		
of which: deferred tax assets arising from temporary differences	0	Art. 36 (1) (c), 38, 48 (1) (a), 470, 472 (5) CRR		

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Losses for the current financial year (negative amount)	- 158	Art. 36 (1) (a), 472 (3) CRR		
Foreseeable tax charges relating to CET1 items (negative amount)	0	Art. 36 (1) (l) CRR		
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				
Regulatory adjustments relating to unrealised gains and losses pursuant to Art. 467 and 468 CRR	91	Art. 467, 468 CRR		
of which: unrealised gains or losses	80			
of which: unrealised gains or losses from government bonds	11			
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	Art. 481 CRR		
of which: Other deductions from Common Equity Tier 1 capital	0	Art. 481 CRR		
Qualifying AT1 deductions that exceed the AT 1 capital of the institution (negative amount)	0	Art. 36 (1) (j) CRR		
Total regulatory adjustments to Common Equity Tier 1 (CET1)	- 622			
Common Equity Tier 1 (CET1) capital	7 700			
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts	0	Art. 51, 52 CRR		
of which: classified as equity under applicable accounting standards	N/A			
of which: classified as liabilities under applicable accounting standards	N/A			
Amount of qualifying items referred to in Art. 484 (4) CRR and the related share premium accounts subject to phase out from AT1	429	Art. 486 (3) CRR		
Public sector capital injections grandfathered until 1 January 2018	N/A	Art. 483 (3) CRR		
Qualifying Tier 1 capital included in consolidated AT 1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	0	Art. 85, 86, 480 CRR	0	
of which: instruments issued by subsidiaries subject to phase out	N/A	Art. 486 (3) CRR		
Additional Tier 1 capital (AT1) before regulatory adjustments	429			

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Additional Tier 1 (AT1) capital before regulatory adjustments				
Direct and indirect holdings by an institution of own AT 1 instruments (negative amount)	0	Art. 52 (1) (b), 56 (a), 57, 475 (2) CRR	0	
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross-holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	Art. 56 (b), 58, 475 (3) CRR	0	
Direct and indirect holdings of the AT 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10 % threshold net of eligible short positions) (negative amount)	0	Art.56 (c), 59, 60, 79, 475 (4) CRR	0	
Direct and indirect holdings of the AT 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10 % threshold net of eligible short positions) (negative amount)	0	Art. 56 (d), 59, 79, 475 (4) CRR	0	
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)				
Residual amounts deducted from Additional Tier 1 capital with regard to deductions from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	- 142	Art. 472, 472 paras. 3a, 4, 6, 8 (a), 9, 10a and 11a CRR		
of which: Intangibles	- 58			
of which: shortfall of provisions to expected losses	- 84			
Residual amounts deducted from Additional Tier 1 capital with regard to deductions from Tier 2 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013.	0	Art. 477, 477 paras. 3 and 4a CRR		
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	0	Art. 467, 468, 481 CRR		
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	Art. 56 (e) CRR		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	- 142			
Additional Tier 1 (AT1) capital	287			
Tier 1 capital (T1 = CET1 + AT1)	7 987			

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Tier 2 capital (T2): Instruments and reserves				
Capital instruments and the related share premium accounts	2 657	Art. 62, 63 CRR		12
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	Art. 486 (4) CRR		
Public sector capital injections grandfathered until 1 January 2018	N/A	Art. 483 (4) CRR		
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	205	Art. 87, 88, 480 CRR	0	
of which: instruments issued by subsidiaries subject to phase out	0	Art. 486 (4) CRR		
Credit risk adjustments	0	Art. 62 (c) and (d) CRR		
Tier 2 capital (T2) before regulatory adjustments	2 862			
Tier 2 (T2) capital: regulatory adjustments				
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	- 25	Art. 63 (b) (i), 66 (a), 67, 477 (2) CRR	0	
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	Art. 66 (b), 68, 477 (3) CRR	0	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	Art. 66 (c), 69, 70, 79, 477 (4) CRR	0	
of which: new positions not subject to transitional provisions	N/A			
of which: positions existent prior to 1 January 2013 and subject to transitional provisions	N/A			
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	Art. 66 (d), 69, 79, 477 (4) CRR	0	
Regulatory adjustments applied to Tier 2 capital subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i. e. CRR residual amounts)				

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Art. 472 of Regulation (EU) No. 575/2013	- 84	Art. 472 (a), 472 (3) (a), (4), (6), (8), (9), (10) (a) and (11) (a) CRR		
of which: shortfall of provisions to expected losses	- 84			
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to Art. 475 of Regulation (EU) No. 575/2013	0	Art. 475, 475 (2) (a), (3), (4) (a) CRR		
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	- 387	Art. 467, 468, 481 CRR		
of which: adjustments due to grandfathering provisions	- 387			
Total regulatory adjustments to Tier 2 (T2) capital	- 496			
Tier 2 (T2) capital	2 367			
Total capital (TC = T1 + T2)	10 353			
Risk-weighted assets				
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 apply (i. e. CRR residual amounts)	0			
of which: items not deducted from CET1 (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 472, 472 (5), (8) (b), (10) (b) and (11) (b) CRR		
of which: items not deducted from AT 1 items (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 475, 475 (2) (b), (2) (c) and (4) (b) CRR		
of which: items not deducted from the Tier 2 items (Regulation (EU) No. 575/2013 residual amounts)	N/A	Art. 477, 477 (2) (b), (2) (c), (4) (b) CRR		
Total risk-weighted assets	64 237			
of which: credit risk	55 144			
of which: credit-risk-related valuation adjustment (CVA)	999			
of which: market price risk	2 982			
of which: operational risk	5 112			

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of risk exposure amount)	12.0 %	Art. 92 (2) (a), 465 CRR		
Tier 1 (as a percentage of risk exposure amount)	12.4 %	Art. 92 (2) (b), 465 CRR		
Total capital (as a percentage of risk exposure amount)	16.1 %	Art. 92 (2) (c) CRR		
Institution specific buffer requirement (CET 1 requirement in accordance with Art. 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	5.1 %	Art. 128, 129, 130 CRD IV		
of which: capital conservation buffer requirement	0.6 %			
of which: countercyclical buffer requirement	0 %			
of which: systemic risk buffer requirement	0 %			
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0 %	Art. 131 CRD IV		
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	6.9 %	Art. 128 CRD IV		
Amounts below the thresholds for deduction (before risk-weighting)				
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	327	Art. 36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4) CRR		9
Direct and indirect holdings by the institution in of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions)	248	Art. 36 (1) (i), 45, 48, 470, 472 (11) CRR		10, 11
Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in Art. 38 (3) are met)	868	Art. 36 (1) (c), 38, 48 470, 472 (5) CRR		

	Capital based on EU Regulation No. 575/2013 (CRR) (in € million)	Article referred to in (EU) Regulation No. 575/2013	Amounts subject to treatment before (EU) Regulation No. 575/2013 or required remainder in accordance with (EU) Regulation 575/2013	Reference
Applicable caps on the inclusion of provisions in Tier 2 capital				
Credit-risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	0	Art. 62 CRR		
Cap on inclusion of credit risk adjustments in T2 under standardized approach	72	Art. 62 CRR		
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	Art. 62 CRR		
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	284	Art. 62 CRR		
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)				
Current cap on CET 1 instruments subject to phase out arrangements	37	Art. 484 (3), 486 (2), (5) CRR		
Amount excluded from CET 1 due to cap (excess over cap after redemptions and maturities)	0	Art. 484 (3), 486 (2), (5) CRR		
Current cap on AT 1 instruments subject to phase-out arrangements	532	Art. 484 (4), 486 (3), (5) CRR		
Amount excluded from AT 1 due to cap (excess over cap after redemptions and maturities)	0	Art. 484 (4), 486 (3), (5) CRR		
Current cap on T2 instruments subject to phase out arrangements	0	Art. 484 (5), 486 (4), (5) CRR		
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	Art. 484 (5), 486 (4), (5) CRR		

2.2 Main Features of the Capital Instruments

The table “Main features of capital instruments” is published as a separate Excel file in addition to the Disclosure Report on the NORD/LB’s website at www.nordlb.de/investor-relations/reports.

2.3 Capital Adequacy / Capital Requirements by Risk Type

In Table 3, the regulatory capital requirements according to CRR Articles 438 and 445 are designated based on the material types of risk and approaches used.

Table 3: Capital requirements

Credit risk (in € million)	Capital requirement 30 June 2016	Capital requirement 31 Dec. 2015
1 Credit risks		
1.1 Credit risk – standard approach		
Central governments or central banks	17	17
Regional governments and local authorities	17	18
Other public entities	20	21
Multilateral development banks	–	–
International organisations	–	–
Institutes	10	7
Corporates	233	221
Retail clients	15	18
Positions collateralised with real estate	14	14
Past-due positions	6	4
Very high-risk connected exposures	0	4
Mortgage bonds issued by banks	3	3
Risk positions with banks and companies with a short-term credit rating	–	–
Collective investment undertakings (CIU)	–	–
Other positions	12	8
Total for credit risk – standard approach	347	335
1.2 IRB approaches		
Central governments or central banks	201	177
Institutes	243	281
Corporates – SMEs	299	301
Corporates – special finance	1 624	1 695
Corporates – other	1 164	1 077
Retail clients – of which collateralised with mortgages, SMEs	–	–
Retail clients – of which collateralised with mortgages, not SMEs	13	12
Retail clients – of which qualified, revolving	1	1
Retail clients – of which other, SMEs	–	–
Retail clients – of which other, not SMEs	22	23
Other non-loan-dependent assets	70	26
Total for IRB approaches	3 638	3 594
1.3 Securitisations		
Securitisations under the SACR approach	–	–
of which: re-securitisations	–	–
Securitisations under the IRB approach	296	279
of which: re-securitisations	–	–
Total securitisations	296	279

Credit risk (in € million)	Capital requirement 30 June 2016	Capital requirement 31 Dec. 2015
1.4 Investments		
Investments under the IRB approach	17	20
of which internal model approach	–	–
of which PD/LGD approach	–	–
of which simple risk-weighting approach	17	20
of which exchange-traded investments	–	–
of which investments which are not exchange-traded but belong to a diversified investment portfolio	–	–
of which other investments	17	20
Investments under the SACR approach	110	117
of which investment values in the case of continued use of the old methodology/grandfathering	–	63
Total investments	127	137
1.5 Risk-position amount for contributions to the default fund of a central counterparty	3	6
Total credit risks	4 412	4 352
2. Clearing risks		
Clearing risks in the banking book	–	–
Clearing risks in the trading book	–	–
Total clearing risks	–	–
3. Market price risks		
Standard approach	72	76
of which: Interest rate risks	63	69
of which: general and specific interest rate risk (net interest position)	63	69
of which: specific interest rate risk for securitisation exposures in the trading book	–	–
of which: specific interest rate risk in the correlation trading portfolio	–	–
of which: share price risks	–	–
of which: currency risks	9	6
of which: risks from commodity positions	–	–
Internal model approach	166	175
Total market price risks	239	251
4. Operational risks		
Basic-indicator approach	–	–
Standard approach	409	419
Advanced measurement approach	–	–
Total operational risks	409	419
5. Total amount of risk positions for credit value adjustment	80	73
6. Total amount of risk positions relating to large loans in the trading book	–	–
7. Other		
Other exposures	–	–
Total amount of capital requirements	5 139	5 094

3 Disclosures concerning Credit Exposure (IRB Approach)

- 24 3.1 Credit Risk by PD Class
(not including retail)
- 26 3.2 Retail Credit Volume by PD Class

3.1 Credit Risk by PD Class (not including retail)

In Table 4, the total credit volume that is dealt with in the IRBA is represented in accordance with Article 452 d CRR broken down by PD category. The average probability of default (\emptyset PD) as well as the average risk weight (\emptyset RW) are presented in addition to the credit exposure (EAD). The position values are presented after credit risk mitigation.

With regard to Table 4, equity holdings must only be disclosed as a separate portfolio if the PD/LGD approach is used for equity instruments in the banking book. This is currently not the case for the

NORD/LB Group. A separate representation of the items referred to in Article 452 d CRR, for which the company's own LGD and CCF estimates are performed, has not been completed, as the advanced IRBA is only relevant for the NORD/LB Group in retail business.

In order to make the table easier to read, the comparison values as at 31 December 2015 are not reported. Please see the Disclosure Report as at 31 December 2015, p. 51, Table 18.

Table 4: Total credit volume by PD class (not including retail)

Exposure class	Total amount of outstanding credit commitments (in € million)	Exposure values (in € million)		Ø PD (in %)	Exposure value weighted with PD (in € million)	Ø RW (in %)	Exposure value weighted with RW (in € million)
			of which outstanding credit commitments				
PD Class 1: PD 0 % to < 0.5 %							
Central governments or central banks	17	7 614	11	0.02	2	7.35	559
Institutes	837	17 132	18	0.08	13	15.48	2 652
Corporates	8 513	43 014	4 184	0.15	65	33.46	14 394
Investments	-	-	-	-	-	-	-
Total	9 367	67 761	4 213	0.12	79	25.98	17 605
PD Class 2: PD 0.5 % to < 5 %							
Central governments or central banks	0	9	0	1.98	0	121.32	11
Institutes	18	418	1	1.01	4	66.58	278
Corporates	3 491	12 830	1 615	1.38	177	93.22	11 960
Investments	-	-	-	-	-	-	-
Total	3 509	13 257	1 616	1.37	181	92.40	12 248
PD Class 3: PD 5 % to < 100 %							
Central governments or central banks	0	0	0	20.00	0	252.53	0
Institutes	0	53	0	8.43	4	210.16	111
Corporates	309	5 446	178	14.05	765	218.85	11 918
Investments	-	-	-	-	-	-	-
Total	309	5 499	178	14.00	770	218.77	12 029
PD Class 4: Default – PD 100 %							
Central governments or central banks	0	94	0	100.00	94	0.00	0
Institutes	0	7	0	100.00	7	0.00	0
Corporates	141	8 539	74	100.00	8 539	0.00	0
Investments	-	-	-	-	-	-	-
Total	141	8 640	74	100.00	8 640	0.00	0
PD Class 5: Total (excluding default)							
Central governments or central banks	17	7 623	11	0.02	2	7.48	570
Institutes	854	17 603	19	0.12	22	17.28	3 041
Corporates	12 313	61 290	5 977	1.64	1 007	62.44	38 271
Investments	-	-	-	-	-	-	-
Total	13 184	86 516	6 007	1.19	1 030	48.41	41 883

3.2 Retail Credit Volume by PD Class

In Table 5, the total credit volume that will be covered in the Retail IRBA is represented in accordance with Article 452 f CRR for PD categories. The average loss given default (\emptyset LGD), the average probability of default (\emptyset PD) as well as the average risk weight (\emptyset RW) are presented in addition to the credit exposure (EAD). The position values are presented after credit risk mitigation.

In order to make the table easier to read, the comparison values as at 31 December 2015 are not reported. Please see the Disclosure Report as at 31 December 2015, p. 53, Table 20.

Table 5: Retail credit volume by PD class

Exposure class	Exposure values (in € million)		Ø exposure value of outstanding credit commit- ments (in %)	Carrying amount of out- standing credit commit- ments (in € million)	Ø LGD (in %)	Exposure value weighted with LGD (in € million)	Ø PD (in %)	Exposure value weighted with PD (in € million)	Ø RW (in %)	Exposure value weighted with RW (in € million)
		of which outstand- ing credit commit- ments								
PD Class 1: PD 0% to < 0,5 %										
Retail clients: qualified, revolving	380	367	92.97	394	37.96	144	0.06	0	1.43	5
Retail clients: residential real-estate loans	891	2	87.27	3	31.65	282	0.13	1	9.21	82
Retail clients: other	989	123	93.87	131	48.86	483	0.14	1	14.89	147
Total	2 260	491	93.17	527	40.24	909	0.12	3	10.39	235
PD Class 2: PD 0.5% to < 5 %										
Retail clients: qualified, revolving	28	17	89.55	19	38.73	11	1.46	0	19.72	5
Retail clients: residential real-estate loans	88	0	85.39	0	32.44	29	1.52	1	51.81	46
Retail clients: other	165	11	91.00	12	50.26	83	1.40	2	54.77	91
Total	281	28	90.11	31	43.55	122	1.44	4	50.39	142
PD Class 3: PD 5% to < 100 %										
Retail clients: qualified, revolving	2	1	90.67	1	38.87	1	13.02	0	78.75	1
Retail clients: residential real-estate loans	15	0		0	33.70	5	19.75	3	171.36	25
Retail clients: other	29	1	90.06	1	48.94	14	18.96	5	103.73	30
Total	45	2	90.32	2	43.59	20	19.00	9	124.83	56
PD Class 4: Default – PD 100 %										
Retail clients: qualified, revolving	0	0	100.00	0	4.14	0	100.00	0	51.79	0
Retail clients: residential real-estate loans	5	0		0	12.00	1	100.00	5	150.00	8
Retail clients: other	11	0	100.00	0	7.17	1	100.00	11	89.58	10
Total	17	0	100.00	0	8.74	1	100.00	17	109.21	18
PD Class 5: Total (excluding default)										
Retail clients: qualified, revolving	409	384	92.81	414	38.02	156	0.20	1	2.99	12
Retail clients: residential real-estate loans	994	2	87.21	3	31.75	316	0.54	5	15.37	153
Retail clients: other	1 183	134	93.60	144	49.06	580	0.77	9	22.61	267
Total	2 586	521	92.99	560	40.66	1 051	0.59	15	16.72	432

4 Leverage Ratio

The leverage ratio was introduced as a non-risk-based ratio within the context of the CRR entering into force on 1 January 2014. Since 1 January 2015, information on the leverage ratio must be disclosed in accordance with Article 451 CRR.

The rules of the Delegated Regulation (EU) 2015/62 are taken into account in the results presented below. The disclosure is based on the disclosure tables of the applicable technical standards and is done on a consolidated level.

As at 30 June 2016, the leverage ratio of the NORDB/LB Group amounted to 4.21 percent in accordance with the transitional provisions of the delegated regulation. The Tier 1 Capital of € 7,987 million is taken into account in relation to the total risk position variable amounting to € 189,756 million.

Table 6: Summary comparison between balance sheet assets and the total risk position variable

		Estimated value 31 Dec. 2015 (in € million)	Estimated value 30 June 2016 (in € million)
1	Total assets as per published financial statements	180 998	179 166
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	2 927	3 116
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with article 429 (13) of Regulation (EU) No. 575/2013)	- 168	-
4	Adjustments for derivative financial instruments	- 3 987	- 3 699
5	Adjustment for securities financing transactions (SFTs)	2 530	3 367
6	Adjustment for off-balance sheet items (i. e. conversion to credit equivalent amounts of off-balance sheet exposures)	12 508	9 402
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (7) of Regulation (EU) No. 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with article 429 (14) of Regulation (EU) No. 575/2013)	-	-
7	Other adjustments	- 1 995	- 1 596
8	Leverage ratio total exposure measure	192 813	189 756

Table 7: Standard disclosure table for the leverage ratio

		Risk positions for the CRR leverage ratio 31 Dec. 2015 (in € million)	Risk positions for the CRR leverage ratio 30 June 2016 (in € million)
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	170 492	168 194
2	(Asset amounts deducted in determining Tier 1 capital)	- 719	- 466
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	169 773	167 728
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i. e. net of eligible cash variation margin)	4 498	4 742
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	2 756	2 786
EU-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance-sheet assets pursuant to the applicable accounting framework	432	690
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 4 292	- 4 654
8	(Exempted CCP leg of client-cleared trade exposures)	-72	- 34
9	Adjusted effective notional amount of written credit derivatives	3 050	3 047
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	- 193	- 224
11	Total derivatives exposures (sum of lines 4 to 10)	6 179	6 354
SFT exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2 048	2 837
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	Counterparty credit risk exposure for SFT assets	2 305	3 436
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with articles 429b (4) and 222 of Regulation (EU) No. 575/2013	-	-
15	Agent transaction exposures	-	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	4 353	6 273
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	22 792	23 896
18	(Adjustments for conversion to credit equivalent amounts)	- 10 284	- 14 495
19	Other off-balance sheet exposures (sum of lines 17 and 18)	12 508	9 402

		Risk positions for the CRR leverage ratio 31 Dec. 2015 (in € million)	Risk positions for the CRR leverage ratio 30 June 2016 (in € million)
Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)			
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with article 429 (7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-	-
EU-19b	(Exposures exempted in accordance with article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	-	-
Capital and total exposure measure			
20	Tier 1 capital	8 439	7 987
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	192 813	189 756
Leverage ratio			
22	Leverage ratio	4.38 %	4.21 %
Choice on transitional arrangements and amount of derecognised fiduciary items			
EU-23	Choice on transitional arrangements for the definition of the capital measure	transitional provisions	transitional provisions
EU-24	Amount of derecognised fiduciary items in accordance with article 429 (11) of Regulation (EU) No. 575/2013	168	-

**Table 8: Breakdown of reported risk positions
(not including derivatives and securities financing transactions (SFT))**

		Risk positions for the CRR leverage ratio 31 Dec. 2015 (in € million)	Risk positions for the CRR leverage ratio 30 June 2016 (in € million)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	170 636	168 179
EU-2	Trading book exposures	4 874	4 412
EU-3	Banking book exposures, of which:	165 762	163 766
EU-4	Covered bonds	2 061	2 432
EU-5	Exposures treated as sovereigns	51 037	49 585
EU-6	Exposures to regional governments, MDBs, international organisations and PSE <u>not</u> treated as sovereigns	3 079	3 429
EU-7	Institutions	19 489	18 309
EU-8	Secured by mortgages of immovable properties	14 959	15 237
EU-9	Retail exposures	2 512	2 462
EU-10	Corporate	45 491	43 848
EU-11	Exposures in default	7 183	6 608
EU-12	Other exposures (e. g. equity, securitisations, and other non-credit obligation assets)	19 950	21 857

Operational control of the leverage ratio takes place in the quarterly meetings of the Group's Asset Liability Committee (ALCO). The development of total assets is monitored operationally based on target values that are defined quarterly. If necessary, as part of the control of defined individual portfolios taking into account the maturity structure and fungibility of the assets, measures can be initiated by the ALCO to reduce the total assets and therefore raise the leverage ratio. Key decisions in relation to controlling the leverage ratio are made by the ALCO with subsequent notification provided to the Managing Board.

NORD/LB counters the risk of excessive indebtedness by including the leverage ratio in the annual planning process based on the current balance sheet total and capital planning. In this process the finance and risk control units in the significant subsidiaries from a risk point of view are also included.

A gradual increase in the leverage ratio in relation to the regulatory minimum quota is planned for the next few years.

Starting from a value of 4.38 percent as at 30 December 2015, the leverage ratio decreased to 4.21 percent on 30 June 2016, which is primarily due to the decline of the Tier 1 Capital.

List of Tables

The tables are based on the Examples of Use of the Disclosure Requirements Committee of the Deutsche Bundesbank (Anwendungsbeispiele des Fachgremiums Offenlegungsanforderungen der Deutschen Bundesbank) of November 2006.

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