Norddeutsche Landesbank Girozentrale

Hanover, Braunschweig, Magdeburg

Interim Report

as at 30 June 2020

NORD/LB at a Glance

Income Statement	1 Jan. - 30 Jun. 2020 (in € million)	1 Jan. - 30 Jun. 2019 (in € million)	Change (in %)
Net interest income	543	496	9
Net commission income	– 27	50	> 100
Profit/loss from financial instruments at fair value through profit or loss	140	195	– 28
Risk provisioning	– 99	– 1	> 100
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	– 14	– 10	40
Profit/loss from hedge accounting	17	14	21
Profit/loss from shares in companies	– 6	13	> 100
Profit/loss from investments accounted for using the equity method	7	20	– 65
Administrative expenses	462	487	– 5
Other operating profit/loss	– 68	– 39	74
Earnings before restructuring, transformation and taxes	**31**	**251**	**– 88**
Profit/loss from restructuring and transformation	25	71	– 65
Earnings before taxes	**6**	**180**	**– 97**
Income taxes	2	31	– 94
Consolidated profit/loss	**4**	**149**	**– 97**

Key figures	1 Jan. - 30 Jun. 2020 (in %)	1 Jan. - 30 Jun. 2019 (in %)	Change (in %)
Cost-Income-Ratio (CIR)	77.2%	67.2%	15
Return-on-Equity (RoE)	0.2%	9.5%	– 98

Balance sheet figures	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Total assets	133 527	139 619	– 4
Financial assets at amortised cost	94 977	104 215	– 9
Financial liabilities at amortised cost	108 629	115 487	– 6
Equity	5 939	5 838	2

Regulatory key figures	30 Jun. 2020	31 Dec. 2019	Change (in %)
Common equity tier 1 capital (in € million)	5 662	5 792	– 2
Tier 1 capital (in € million)	5 890	6 108	– 4
Tier 2 capital (in € million)	2 163	2 162	0
Own funds (in € million)	8 052	8 270	– 3
Total risk exposure amount (in € million)	41 592	39 841	4
Common equity tier 1 capital ratio (in %)	13.61%	14.54%	– 6
Total capital ratio (in %)	19.36%	20.76%	– 7
Leverage Ratio (transitional)	4.21%	4.13%	2

Minor discrepancies may arise in this report in the calculation of totals and percentages due to rounding.

Interim Group Management Report as at 30 June 2020

The Group – Basic Information

Business Model

NORD/LB is a public-law institution with legal capacity. The Bank is owned by the holding companies for the Federal State of Lower Saxony, the Federal State of Saxony-Anhalt, the Savings Banks Association of Lower Saxony (hereinafter abbreviated as: SVN), the Holding Association of the Savings Banks of Saxony-Anhalt, the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, and the Sparkassen Finance Group's security system with two trust companies FIDES Gamma GmbH and FIDES Delta GmbH.

The share capital amounts to € 2,835 million, 52.98 per cent of which is held by Lower Saxony, 6.98 per cent by Saxony-Anhalt, 9.97 per cent by SVN, 1.99 per cent by the Holding Association of the Savings Banks of Saxony-Anhalt, 1.38 per cent by the Special Purpose Holding Association of the Savings Banks of Mecklenburg-Western Pomerania, 13.35 per cent by FIDES Gamma GmbH and 13.35 per cent by FIDES Delta GmbH.

NORD/LB is a commercial bank, Landesbank (federal state bank) and central bank for the savings banks based in Hanover, Braunschweig and Magdeburg and operates beyond this core region with domestic branches in Bremen, Düsseldorf, Hamburg, Munich, Oldenburg, Schwerin and Stuttgart. The offices in the key international financial and trading centres of New York and Singapore play a significant role in NORD/LB's foreign business activities. Foreign offices are also maintained in London and Shanghai. As legally dependent business units, the offices pursue the same business model as NORD/LB.

The NORD/LB Group is active in the following business segments:

- Private and Commercial Customers
- Corporate Customers
- Markets
- Special Finance
- Real Estate Banking Customers and
- Strategic Portfolio Optimization

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As the Landesbank for Lower Saxony and Saxony-Anhalt, NORD/LB is responsible for fulfilling the functions of a central bank for the savings banks (clearing centre). The Bank also handles promotional business on behalf of the federal states through the Investitionsbank Sachsen-Anhalt, Magdeburg (an institution within NORD/LB) and through the Landesförderinstitut Mecklenburg-Vorpommern, Schwerin (a business segment of NORD/LB). NORD/LB acts as a central bank for the savings banks in Mecklenburg-Western Pomerania, Saxony-Anhalt and Lower Saxony. It also offers all services for savings banks in other German federal states such as Schleswig-Holstein.

Within the NORD/LB Group, NORD/LB acts as the parent company, which manages all business activity in line with the strategic targets. The NORD/LB Group includes Deutsche Hypothekenbank (Actien-Gesellschaft), Hanover (referred to below as: Deutsche Hypo) and Norddeutsche Landesbank Luxembourg S.A. Covered Bond Bank, Luxembourg-Findel (referred to below as: NORD/LB Luxembourg).

The Bank also maintains additional investments as detailed in the Notes.

Outline of the Control System

The control systems used for the first half of the 2020 financial year are described below. The NORD/LB Group's integrated control system offers a comprehensive overview of the Group's profitability, equity, risk, liquidity, and asset quality. The central aim is to optimise the Bank's profitability while simultaneously ensuring adequate capital and liquidity. The focus is on standardised and integrated management reporting during the year that includes both deviation analyses and extrapolations as at the end of each quarter and year, with utilisation of early warning and restructuring thresholds. Internal reporting processes also include an integrated control and restructuring cockpit.

Another key control tool is the annual strategy and planning process, which includes the following key steps: At the beginning of the planning process, the Managing Board confirms or revises the strategic objectives, which are then used to set the targets for the following year's planning in autumn. The planning is synchronised during a top-down/bottom-up process.

At Group level, the Common Equity Tier 1 ratio is one of the most important indicators of performance. The leverage ratio and the absolute variables required to calculate these key figures are also included in the control system. The primary objective is to ensure permanent adherence to the defined internal objectives and all regulatory requirements.

Common equity tier 1 capital ratio	Common equity tier 1 capital as per CRR/total risk amount
Leverage Ratio	Tier 1 capital/leverage exposure

Profitability management is based on a multi-step contribution margin analysis at Group segment and Group company level. The key figures that are applied consistently in order to assess profitability are: earnings before taxes, the cost-income ratio (CIR) and return on equity (RoE) and, at the segment level, return on risk-adjusted capital (RoRaC). These key figures continue to represent the most significant financial performance indicators for assessing the performance of the Group and its segments:

Earnings before taxes	As shown in the income statement
Cost-Income-Ratio (CIR)	Administrative expenses / Total earnings Total earnings = Net interest income + Net commission income+ Profit/loss from financial assets at fair value + Disposal profit/loss from financial assets that are not measured at fair value through profit or loss + Profit/loss from hedge accounting + Profit/loss from investments accounted for using the equity method + Other operating profit/loss
Return on risk- adjusted capital at segment level (RoRaC)	Earnings before taxes / committed capital of the higher of the total risk exposure amount limits and the amount called on
Return-on-Equity (RoE)	Earnings before taxes / Long-term equity under commercial law Long-term equity under commercial law = reported equity - OCI - earnings after taxes

Given the need to provide evidence of adequate capital, the risks incurred are continuously reviewed to ensure that they are covered by the available risk capital at all times. This includes management of risk-bearing capacity, taking account of the utilisation of risk capital by risk potential. The risk-bearing capacity calculation is supplemented with stress tests in order to provide an in-depth analysis. Further information is included in the section "Extended risk report".

The overarching goal of liquidity risk management and monitoring is to ensure NORD/LB's payment and funding ability at all times. Liquidity risks are limited on the basis of defined scenarios and the key limits are monitored daily.

A detailed description is found in the Risk Management section of the annual report as at 31 December 2019.

Asset quality is assessed on the basis of the exposure in default as a share of NORD/LB's total exposure (non-performing loan ratio), and also with the help of the risk ratio, in which risk provisioning is compared with the total risk exposure amount plus the shortfall equivalent.

Risk Management

The NORD/LB Group’s risk management and the corresponding structural and process organisation, the procedures implemented, methods of risk measurement and monitoring, and the risks to the Group’s development were presented in detail in the Annual Report 2019. Consequently, this interim report only describes significant developments in the reporting period.

Economic Report

General Economic and Industry-Specific Environment

Global Economic Environment

The global economy has suffered greatly from the impact of the COVID-19 pandemic in the first six months of 2020. The starting point for the wave of infection and, simultaneously, the first hit economy was China. Pressures on economic activity were however already being felt in Europe and North America as early as the end of the first quarter, and were particularly evident in the second quarter. According to information from the German Federal Statistics Office, seasonally-adjusted real gross domestic product (GDP) in the first quarter in Germany fell by 2.0 per cent compared to the previous quarter, followed by a decline of 10.1 per cent in spring. In the euro area, economic output in the first two quarters fell by 3.6 per cent (first quarter) and 12.1 per cent (second quarter). In the United States of America, real economic activity in the same time frame declined, seasonally-adjusted, by 5.0 per cent and 32.9 per cent annualised, compared to the previous periods. The depth of the recession also has consequences for the labour market. The US unemployment rate was still 11.1 per cent in June, after having soared to 14.7 per cent in April. While in Germany the number of unemployed had increased significantly, the unemployment rate in June was however significantly lower at 6.4 per cent. One key reason for this was the extensive use of the short-time work option, which frequently meant that it was possible to avoid layoffs.

A range of supportive measures were adopted within both monetary and fiscal policy, thus preventing an even greater economic contraction. Important central banks such as the European Central Bank and the Federal Reserve have also made it very clear that key interest rates are not expected to rise in the medium term. Capital market returns thus appear to be anchored globally at a low level for the time being. Accordingly, the interest return on ten-year German federal bonds fluctuated in June only slightly above the -0.50 per cent mark. The global equity markets were able to profit from high liquidity worldwide and the hopes of an imminent recovery in economic activity. The German DAX index jumped back above the 12,000 points mark in June after having briefly fallen below 9,000 points in March. Yields on ten-year US government bonds fluctuated in June above the 0.60 percentage mark. The US dollar was able to exceed the EUR 1.12 mark in June. The EUR/USD-based swap spreads remained within relatively narrow ranges in all maturities, despite the crisis situation.

Finance Sector

In recent years, the European banking sector has through various measures significantly increased its ability to withstand crises. Significant drivers for this included regulatory provisions, including those with regard to boosting capital, but also the streamlining of loan portfolios, which lead to a significant improvement in NPL ratios. This development, however, brought with it high restructuring costs, which together with falling margins as a result of increasingly flatter yield curves and increased competition lead to rather weaker profitability. Already in the first quarter of 2020, we saw evidence that Banks are preparing for losses in the context of the COVID-19 pandemic with increased risk provisioning. External rating agencies have lowered and in some cases downgraded their outlook for various banking systems and banks due to the anticipated impact from COVID-19. Overall, the European banking sector was however well equipped to face the COVID-19 pandemic.

Shipping

While the focus of the sector at the start of the year was still on the consequences of the IMO 2020 regulations (introduction of new low-sulphur fuels in shipping) and the customs dispute between the USA and China continued to smoulder, the situation changed with the outbreak of COVID-19 in China during the course of the first quarter. The comprehensive lockdown in Wuhan and other regions initially lead to disruptions in supply chains with knock-on effects for global economies. The spread of the virus to Europe, Southeast Asia and also the USA then caused further disruption on the demand side as a result of far-reaching shutdowns, which impacted on the shipping sector.

In the container sector, freight and charter rates initially declined only moderately. The downward trend then accelerated in the second quarter however with the global advance of the pandemic. The extensive retrofit measures were able to cushion this a little, as these had lead to a significant increase in the inactive fleet.

In the bulker sector, the shock of the pandemic caused significant upheaval. While the trade war between the USA and China was already putting pressure on the sector at the end of 2019, it was particularly the collapse in demand for iron ore in China that caused disruption. Consequently, the sub-index for capesize freighters which is decisive for the Baltic Dry Index moved into negative territory over a number of weeks. It was not until industrial production in China started to ramp up again in the second quarter that a reversal in this trend was brought about.

The tanker sector, on the other hand, profited initially from the global oil glut. In addition to US sanctions, the price war on the oil market between OPEC and Russia, coinciding as it did with the start of the pandemic-induced global decline in oil consumption, lead to an increased demand for tankers as floating storage facilities, with the corresponding shortage of supply of tonnage. It was not until agreement was reached on production cuts that tonnage supply started to rise again in the second quarter and the rate level dropped accordingly. In the meantime, the decline in prices caused by the oil glut lead to further pressure on the offshore industry. Another loser of the pandemic was the cruise industry which had been booming for years but whose business has come to a complete standstill.

Aircraft

According to the calculations of the International Air Transport Association (IATA), global passenger numbers (RPK, revenue passenger kilometres) fell by 58.4 per cent year-on-year in the first six months of 2020 as a result of the COVID-19 pandemic. The low point was reached in April. The declines were 62.2 per cent for international traffic and 51.6 per cent for domestic traffic. There were no clear geographical differences in these transport trends. Latin America fared slightly better, however, with a fall of 52.0 per cent.

The number of freight tonne kilometres sold (FTK) fell by 14.5 per cent year-on-year in the first six months of 2020 due to the global recession and the lack of freight capacities in passenger aircraft.

Real Estate

Market volatilities and uncertainties as a result of the COVID-19 pandemic defined the global real estate investment market in the first half of 2020. In the first six months of the year, the global transaction volume fell year-on-year by around 29 per cent.

In addition, the COVID-19 pandemic put the brakes on investment activities in the European commercial real estate market too. Transactions were particularly dampened by the high level of uncertainty and the restricted travel activities of investors. The asset class, Multifamily was the largest on the European real estate investment market and was viewed as a safe haven. Against the backdrop of dynamic demand in the field of e-commerce, logistics properties likewise performed positively.

The German investment market was still able to record growth despite the COVID-19 crisis. The high investment pressure from institutional investors remains. Investments that could no longer be completed at the end of 2019 were postponed to the first quarter of 2020. This is why the transaction volume rose in the first six months of 2020 as a whole by 34 per cent, compared to the previous year, even though the figure for the second quarter was down 52 per cent on that of the first quarter due to the pandemic. At the end of the six-month period, the commercial real estate market recorded a share of around 70 per cent of the entire transaction volume. The residential investment market posted a share of around 30 per cent. Furthermore, the market share of international investors was approximately 51 per cent. The Top 7 markets represented a share of around 39 per cent. Hamburg posted the largest increase (plus around 67 per cent) compared to the same period in 2019, followed by Düsseldorf and Frankfurt/Main. The transaction revenues in Berlin, Cologne and Stuttgart were however down year-on-year.

Significant Events in the Financial Year

COVID-19 Pandemic

NORD/LB has for many years had an established Business Continuity Management system according to MaRisk AT 7.3. Due to the COVID-19 pandemic, NORD/LB established a crisis prevention management system at the end of February, the organisation of which is based on existing emergency and crisis management. It comprises a situation team and a management team. Both committees comprise representatives from the various divisions involved. Their task is to observe the situation on an ongoing basis, to assess it and to develop and implement measures. The objective is firstly to guarantee the protection of employee's health at all times and secondly to ensure the operability of NORD/LB. Material measures within the framework of crisis prevention management include:

- Ensuring that all employees can work from home
- Establishing a "split" organisation with rolling changeover of employees
- Establishing reporting and communications channels with all relevant stakeholders (Managing Board, employees, Supervisory Board and supervisory authorities)
- Setting up regulations for business trips and events/meetings
- Implementing the COVID-19 occupational health and safety standard
- Elaborating an access concept for the branch business

All measures were constantly coordinated within the NORD/LB Group and NORD/LB was also in regular contact with the key service providers.

The NORD/LB processes were stable at all times; there were no failures.

In view of the falling infection figures in Germany overall and at the NORD/LB locations, a three-stage plan for a return to normality was developed in May. This also includes fallback parameters, in order to be able to respond quickly to e.g. rising infection rates. Implementation commenced at the start of June. NORD/LB is currently in the second phase. An end to crisis prevention management is currently not yet scheduled. Thus far, however, the return to normality has not faced any complications and is proceeding according to plan.

Coronavirus guidelines for the lending business

In order to face the COVID-19 pandemic appropriately, NORD/LB, taking into consideration the coronavirus-related reliefs approved by BaFin, has adopted special regulations for the lending business, which deviate from the standard loan process. This includes an accelerated working process for coronavirus-induced KfW subsidies as well as various simplifications in the analysis of credit exposure. For example, simplified specifications for debt service calculation apply to commercial financing in the BLSK. Simplified documentation obligations for coronavirus-determined rating shifts were likewise regulated.

Furthermore, the special regulations contain various simplifications, some of which are time-limited, for the measurement of collateral. The decision-making process for the approval of loan increases, the approval of limit overruns up to 90 days and approvals of deferments in the BLSK were likewise regulated in a manner differing from the standard credit process.

The special coronavirus regulations also encompass stipulations regarding the assessment of forbearance/forborne characteristics. For example, since 23 March 2020 and until further notice, certain forbearance/forborne trigger events of a borrower in the risk-relevant business of NORD/LB no longer apply, in order to limit the negative consequences, in particular uncontrolled impairment level transfer under

IFRS 9, arising from the coronavirus-related increase in forbearance exposure in the segments and sectors that are particularly impacted by the coronavrius crisis. The measures applied are monitored systematically and the special coronavirus regulations are reviewed regularly.

Consequences of the COVID-19 pandemic

The Bank has taken various measures to minimise or mitigate the economic consequences of the unprecedented COVID-19 pandemic, which is causing highly dynamic developments worldwide. The anticipated consequences of the pandemic had not yet been fully reflected in the risk provisioning as at 30 June 2020. For this reason, the Managing Board of NORD/LB decided to form a management adjustment (MAC-19) for the performing loans in accordance with IFRS 9, to quickly map the expected impact on risk provisioning according to IFRS in the consolidated semi-annual financial statements for 2020. The objective of MAC-19 is to take into consideration in risk provisioning the consequences of the COVID-19 pandemic which are expected by year's end but which have not yet materialised. Here the focus is on effects from expected rating downgrades.

It is based on the U scenario of the COVID-19 stress case, which in turn is based on the economic forecasts of NORD/LB Research and then transformed by experts in the relevant areas of the Bank into rating and loss ratio shifts. The results were then limited, for the adjustment, to sectors that are particularly severely affected by the pandemic. The basis for this are those sectors for which the forbearance element has been temporarily suspended since 23 March 2020. Positions which received a new rating during the pandemic were excluded, as consideration of the COVID-19 pandemic in the systems is assumed here. Effects determined for transactions that had expired or been migrated default (stage 3) as at 30 June 2020 are likewise not part of MAC-19. For the NORD/LB Group, the amount posted was € 100 million. The key drivers here were the sectors Real Estate with around € 30 million, Aviation with around € 24 million and Metal and Plant Engineering with approximately € 17 million.

Furthermore, in the first six months of the year, NORD/LB granted deferrals of interest and principal repayments, as well as taking other measures, as part of the state-organised moratorium for consumer loan contracts. Interest was not charged on the former. These did not result in material impacts on the earnings situation.

The performance of the result arising from the fair-value measurement is dependent on various market parameters. In the first quarter of 2020, the COVID-19 pandemic lead to a sharp increase in credit spreads, which despite already falling back again in the second quarter of 2020, remained above the level of 31 December 2019. Thus for example the Itraxx Europe index hit a year high on 18 March 2020 at around 135 basis points but had fallen back to around 65 basis points on 30 June 2020. This is reflected in the income from debt securities and credit derivatives, which was € -39 million on 30 June 2020. The performance of CVA/DVA (30 June 2020: € -27 million) was largely caused by the significant market data movements that occurred over the course of the COVID-19 pandemic. In particular, the significant narrowing of interest rates in all major currencies as well as the sharp rise in credit spreads in the first quarter 2020 contributed to the expansion of the CVA/DVA. Here too, an improvement in results set in as early as the second quarter due to the partial recovery in the markets. Likewise, the change in credit spreads impacted on the measurement of the guarantees granted by the state of Lower Saxony which were accounted for as credit derivatives as at 30 June 2020, in the amount of € 93 million.

Regulatory Requirements regarding Minimum Capital

According to Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR), NORD/LB must comply with legally prescribed minimum equity ratios for the supervisory capital ratios (Common Equity Tier 1 capital, Tier 1 capital and own funds) and it must have a capital buffer. The numerator for these minimum ratios is the relevant equity amount and the denominator is the relevant total risk exposure amount according to Art. 92 (3) CRR.

In addition to the statutory minimum equity ratios, the European Central Bank (ECB), as the supervisory authority responsible for NORD/LB, imposes individual minimum equity ratios on NORD/LB at Group level as part of the Supervisory Review and Evaluation Process (SREP). In the reporting period, this requirement applied to the total capital ratio and was 10.5 per cent. This requirement comprises the legal minimum total capital ratio as per CRR of 8.0 per cent and an additional 2.5 per cent ("Pillar 2 Requirement", or P2R).

In addition, in the reporting period the Bank was required to maintain a combined capital buffer of around 3.01 per cent, comprising the statutory capital buffer of 2.5 per cent, an institution-specific anti-cyclical buffer weighted for all lending of around 0.01 per cent and – because it is a national systemically relevant bank – a capital buffer for other systemically relevant institutions of 0.5 per cent. Overall the individual minimum total capital ratio in the reporting period was around 13.51 per cent.

The P2R requirement had to be covered in the reporting period up to at least 56 per cent by Common Equity Tier 1 capital and up to 75 per cent by core capital. Up to and including the end of 2019, on the other hand, the stipulation that the P2R requirement had to be completely covered by Common Equity Tier 1 capital still applied. The change in this stipulation by the ECB in the reporting period represented a significant component of the supervisory easements, with the help of which the impact of the COVID-19 pandemic, which started in the reporting period, on the banks of the EU was to be alleviated. At the same time, the change in the stipulation preempted a corresponding change in EU Directive No. 2013/36 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms from 2019 and its still pending implementation in German law.

The combined capital buffer requirement must be completely covered by Common Equity Tier 1. With a view to the impact from the COVID-19 pandemic, the ECB has also permitted temporary shortfalls with respect to the capital buffer and the anti-cyclical buffer requirements; this shall apply as of the reporting period and up to the end of 2022.

In this respect, the Bank had to maintain an individual Common Equity Tier 1 ratio of around 8.91 per cent (= statutory minimum ratio as per CRR of 4.5 per cent + additional requirement of around 1.4 per cent (= 56.25 per cent of 2.5 per cent) + combined capital buffer requirement of approx. 3.01 per cent) in the reporting period.

The following table shows an overview of the NORD/LB Group's minimum supervisory capital requirements in the reporting period:

(in %)	Common equity tier 1 capital ratio	Tier 1 capital ratio	Total capital ratio
Regulatory requirement (in accordance with Article 92 (1) CRR)	4.50%	6.00%	8.00%
Additional requirement according to SREP (P2R in accordance to Article 16 (2) litera a regulation (EU) nr. 1024/2013)	1.41%	1.88%	2.50%
Capital conservation buffer (§ 10c KWG)	2.50%	2.50%	2.50%
Countercyclical capital buffer (§ 10d KWG)	0.01%	0.01%	0.01%
Capital buffer for otherwise system relevance (§ 10g KWG)	0.50%	0.50%	0.50%
Total requirement	**8.91%**	**10.88%**	**13.51%**
30 Jun. 2020	**13.61%**	**14.16%**	**19.36%**

In addition to the minimum equity ratios, the responsible EU authorities also specify a minimum "MREL" ratio for NORD/LB at Group level for the resolution of credit institutions and investment firms (SRB). MREL stands for minimum requirement for own funds and eligible liabilities which banks in the EU are obliged under Directive 2014/59/EU on establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD) to hold as a buffer for losses and recapitalisation in the event resolution. The minimum MREL ratio for NORD/LB in the reporting period was 8.0 per cent; this is obtained by dividing equity and MREL-qualifying liabilities by the sum of equity and all liabilities.

Development of Regulatory Equity Ratios and the MREL Ratio

NORD/LB met the minimum regulatory equity ratios at Group level in the reporting period (for details see also Note (32) Regulatory Data in the Selected Notes to the Financial Statements).

However, all regulatory equity ratios fell in the reporting period. The driving forces behind this development were the negative consequences of the COVID-19 pandemic and the effects of regulatory changes and measures implemented with respect to existing securitisations.

The consequences of the COVID-19 pandemic lead, on the one hand, to reductions in Common Equity Tier 1, depending on market conditions, predominantly as a result of higher, regulatory required valuation discounts on the values determined under commercial law according to IFRS of financial instruments measured at fair value. On the other hand, the total risk exposure amount increased as a result of rating migrations resulting from updates to customer ratings.

In addition, due to the termination of originator securitisation transactions, a significant increase in the risk amount was recorded in the "Corporate" risk position class. Furthermore, the introduction of the new European securitisation framework on 1 January 2020 lead to further considerable increases in risk-weighted assets from securitisations. In addition, since the reporting date of 31 March 2020, the Margin of Conservatism (MoC) is taken into consideration for the rating modules Corporates and Project financing, which has further raised the total risk exposure amount.

The MREL ratio also reduced in the reporting period. The main reason for this is an SRB requirement as of 2020 to accept only liabilities of the Group parent company as MREL-eligible liabilities. Consequently, as of the reporting period, all liabilities of NORD/LB subsidiaries that have been included in this figure up to the end of 2019 are now no longer recognised as MREL-eligible liabilities. Despite this, NORD/LB kept the minimum MREL ratio solid as at the reporting date.

Regulatory Amendments

At the end of June 2020, changes to parts of the CRR ("CRR quick fix") came into effect at EU level; these were essentially intended by the EU institutions to be ad hoc easements for credit institutions in the EU within the framework of the COVID-19 pandemic and therefore came into effect immediately.

From the perspective of NORD/LB, a material change relates to possible easements when deducting intangible assets from the Common Equity Tier 1. NORD/LB is currently reviewing the applicability and implementation of these CRR changes.

Servicing, Ending and Performance of Capital Instruments

As already shown in the Annual Report as at 31 December 2019, neither existing instruments that permanently rank as additional Tier 1 capital (AT1) under the CRR nor existing silent participations will be serviced from the earnings for 2019. The non servicing in relation to AT1 instruments resulted contractually from insufficient available distributable items (ADI); in relation to silent participations it resulted contractually from the negative earnings performance of the Bank in accordance with the German Commercial Code (HGB) 2019 and/or the resultant balance sheet loss in accordance with HGB as per 31 December 2019.

The Owners' Meeting of NORD/LB decided in the reporting period to end all remaining silent participations in order to optimise the capital structure. The background to this is that the silent participations, in accordance with the transition regulations of the CRR, can only be considered proportionally as core capital up to the end of 2021 and thereafter as supplementary capital at most. NORD/LB expects the statutorily and contractually required approval from the ECB and intends to terminate the silent participations in accordance with the contract. These planned terminations also include the silent participations of three special purpose vehicles ("Fürstenberg Capital Erste to Dritte"), which each refinanced the silent participations at NORD/LB through the issue of structure-congruent bonds (capital notes).

Once contractual servicing of capital instruments recognized as liabilities no longer takes place, these instruments will be valued regularly in accordance with IFRS using an effective interest rate-based valuation of future contractual cash flows. Consequently, all silent partner contributions carried in the balance sheet as debt have been measured as debt in accordance with IFRS as at the reporting date. The planned terminations of silent participations were also taken into account in the valuation approaches. As a result, the valuation of silent partner contributions recorded as debt under IFRS fell at Group level. The changes in value of € 37 million were in turn recognised through profit and loss in accordance with IFRS.

NORD/LB 2024 Transformation Program

At the end of 2019, NORD/LB agreed the basic principles of a new business model with its owners, the Sparkassen finance group (SFG) and the banking supervisory authorities. To realise the associated targets, the "NORD/LB 2024" transformation program was already launched last year and the existing programs Blossom (recapitalisation and business model of NORD/LB) and One Bank (optimisation of Group structures and processes) were transferred over to it.

Despite the challenging framework conditions caused by the coronavirus in the first half of 2020, the progress of the program was ensured by an early switch to a "remote" working mode without noteworthy deviations from the program plan.

In particular, the following milestones were achieved in the first half of 2020:

- For the material value-added chains of the Bank (e.g. Financial Markets, Wholesale, Retail), detailed mission statements were elaborated, which form the framework for the further design and implementation of measures.
- For measures with an overall earnings and cost effect of around € 145 million, the design stage was completed and these measures were moved to the implementation stage.
- The voluntary staff downsizing program was successfully started for NORD/LB AöR (excl. subsidiaries and foreign locations). Overall, more employees than required have expressed an interest in the products offered within the staff downsizing program, such that by 30 June 2020 a very large number

of employees had signed the offered agreements for cancellation of the working relationship or for early retirement. The staff reduction targets are therefore expected to be achieved entirely through voluntary means. With that the Bank and employees have achieved planning security.

- Within the framework of the NORD/LB 2024 transformation program, the aim is to achieve full completion of the measures design stage by the end of 2021 and for all planned measures to be implemented by the end of 2023.

Reduction of the Ship Loan Portfolio

NORD/LB has set itself the goal of reducing the NPL ship portfolio as much as possible by the end of 2021. In the first half of 2020, the exposure of the NPL ship portfolio fell from € 2.5 billion to € 1.7 billion. The risk provisioning balance for the NPL ship exposure remaining at the end of the first half of 2020 is now € 1.1 billion (incl. fair-value deductions) after the associated risk provisioning utilisation of € 0.4 billion, which resulted in a coverage ratio of 65 per cent for the remaining NPL ship portfolio (coverage: ratio of risk provisioning to NPL exposure). With the reduction of the NPL ship exposure to € 1.7 billion in the reporting year, the process is on schedule to wind down the NPL ship portfolio as much as possible by the end of 2021.

Audit Notice of the German Financial Reporting Enforcement Panel (FREP)

The General Financial Reporting Enforcement Panel (FREP) announced a random sample-style enforcement audit in accordance with § 342b (2) no. 3 HGB. The audit focuses on the annual and the consolidated financial statements of NORD/LB as at 31 December 2019 and the annual financial statements of Deutsche Hypothekenbank AG as at 31 December 2019.

External Rating

At the start of January 2020, all rating agencies mandated by NORD/LB with ratings responded to the equity increase of 23 December 2019 with rating actions.

Fitch Ratings

On 3 January 2020, the rating agency Fitch Ratings affirmed, inter alia, the "A" long-term issuer default and the deposit rating and removed the negative watch rating. Furthermore, Fitch raised the intrinsic viability rating (VR) of NORD/LB from “f” to “bb+”.

On 4 March 2020, Fitch set the ratings of NORD/LB (deposit, debt) to "UCO up" due to changes in the criteria; the subordinated debt rating was set to "UCO down" (under criteria observation (UCO)).

On 6 April 2020, the following rating changes were made: The "A-“ (long-term IDR) rating was affirmed. Fitch set the outlook to "negative". The reason for this was the likewise negative outlook of the Sparkassen Finance Group. The short-term rating ("F1") was affirmed. The viability rating (VR) was downgraded from "bb+" to "bb", while the subordinated debt rating was also downgraded from "BB" to "B+". The reasons for the downgrades are the deterioration in the economic environment (Germany is only at "AA-", negative (previously the rating was "AA", stable)), the earnings and profit targets which are now at risk due to the coronavirus crisis, and an increased total risk exposure amount due to the change in ratings.

Upon completion of the implementation of the amended criteria, Fitch removed the "UCO" for NORD/LB on 23 April 2020. Consequently, the long-term ratings were broken down into "non-preferred" (as before at "A-") and "preferred" ("A").

DBRS Ratings GmbH

The ratings agency DBRS Ratings GmbH affirmed the ratings for NORD/LB on 6 January 2020, including the long-term issuer rating of "A", the short-term issuer rating of "R-1 (low)" and the subordinated debt rating of "BBB (high)". The trend for all ratings has once again returned to "positive". The intrinsic viability rating assessment remains unchanged at "BBB(low)".

Moody's Investors Service

On 9 January 2020, the rating agency Moody's Investors Service upgraded all long-term ratings as well as the viability ratings of NORD/LB, of Deutsche Hypo and of NORD/LB CBB by two notches; the short-term rating of "P-2" was affirmed, and the ratings of Fürstenberg I and II were downgraded to "Caa3(hyb)". The outlook is "stable". On 13 January 2020, the reviews of the Pfandbriefes were also ended. The ratings were affirmed.

Brexit

In June 2017, NORD/LB set up a Brexit work group in response to the Brexit result in order to prepare the NORD/LB Group for any changes to its operations and processes.

The Withdrawal Agreement negotiated with the European Union, which was pushed back multiple times, was approved by the British House of Commons, meaning that the United Kingdom left the European Union on 31 January 2020. This agreement does not permit the transition phase to be extended beyond 31 December 2020 without any further legislative amendments. As a result, there is a risk of a hard Brexit at the end of 2020 if no new trade agreement is agreed.

In case there is a hard Brexit, NORD/LB and Deutsche Hypo have applied for the temporary permission regime (TPR) from the Bank of England and received the necessary approval. This ensures that the institutions can continue to act in the scope set out in the current authorisation on a transitional basis. The transitional period ends with the London offices receiving authorisation from the Financial Conduct Authority (FCA). A request from the FCA to submit an application for a third-party office is not anticipated until after the TPR (after 31 December 2020).

Transitional solutions have been implemented or decreed by law for issues relevant to the NORD/LB Group:

- Central derivatives clearing
- Cover pool eligibility of UK assets (Hypothekenpfandbriefs)
- Visas/work permits for employees at the office in London

The progress of negotiations between the European Union and the United Kingdom is being monitored closely so that the Bank can respond quickly if required. On the whole, no significant effects from Brexit are expected for the NORD/LB Group.

Report on the Earnings, Assets and Financial Position

In the information presented below the previous year's figures for the period from 1 January to 30 June 2019 or those as at 31 December 2019 are shown in brackets.

Earnings Position

At € 6 million (€ 180 million), earnings before taxes in the NORD/LB Group in H1 2020 were almost balanced. This is largely attributable to the increased formation of risk provisioning. Here, negative effects from increased risk provisioning against the background of the COVID 19 crisis and positive valuation effects in connection with the guarantees of the State of Lower Saxony for the hedged portfolios are roughly equivalent. The income statement figures can be summarised as follows:

	1 Jan. - 30 Jun. 2020 (in € million)	1 Jan. - 30 Jun. 2019 (in € million)	Change (in %)
Net interest income	543	496	9
Net commission income	– 27	50	> 100
Profit/loss from financial instruments at fair value through profit or loss	140	195	– 28
Risk provisioning	– 99	– 1	> 100
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	– 14	– 10	40
Profit/loss from hedge accounting	17	14	21
Profit/loss from shares in companies	– 6	13	> 100
Profit/loss from investments accounted for using the equity method	7	20	– 65
Administrative expenses	462	487	– 5
Other operating profit/loss	– 68	– 39	74
Earnings before restructuring, transformation and taxes	**31**	**251**	**– 88**
Profit/loss from restructuring and transformation	25	71	– 65
Earnings before taxes	**6**	**180**	**– 97**
Income taxes	2	31	– 94
Consolidated profit	**4**	**149**	**– 97**

Key figures	1 Jan. - 30 Jun. 2020 (in %)	1 Jan. - 30 Jun. 2019 (in %)	Change (in %)
Cost-Income-Ratio (CIR)	77.2%	67.2%	15
Return-on-Equity (RoE)	0.2%	9.5%	– 98
CET 1 capital ratio	13.61%	6.63%	> 100
Leverage ratio (transitional)	4.21%	2.09%	> 100

The **Net interest income** is, at € 543 million, above the level of the previous year (€ 496 million). The positive performance is primarily due to the level of the amortisation effects from hedge derivatives and the fact that, compared to the previous year, there were no longer any interest reversals from the shipping portfolio, among other factors. Furthermore, the current year includes income of around € 37 million from the revaluation of the silent participations measured at amortised cost, due to a change in how cash flows are estimated.

On the income side, interest income from financial assets at amortised cost decreased by € 182 million, due to declining volumes. Expenses also decreased. Interest expenses on financial liabilities at amortised cost shrunk by approx. € 154 million.

The contribution from interest-rate conditions on the assets side remains largely stable. The income from a lower credit exposure was, compared to the same period in the previous year, less heavily impacted by interest reversals as a result of the reduction in the ship finance portfolio. Margins in the credit business are largely stable. The persistently low interest levels on the money and capital markets continue to put pressure on the margins in the deposit business. Compared to the same period of the previous year, the contribution from interest-rate conditions on the liabilities side is correspondingly lower. Largely stable earnings resulting from base-rate advantages could not compensate for interest-rate-related, falling margins and the associated lower earnings from the business in fixed-term deposits, and private and commercial current accounts. Due to the lessened impact of prepayment interest arising from the reduction in the ship finance portfolio, the result from interest and liquidity risk management was below the level of the previous year.

Net commission income fell by € 77 million to € -27 million (€ 50 million) year-on-year. In particular, commission income from the lending and guarantee business fell by € 32 million. Compared to the previous year, there is no one-off servicing fee received during the sale of the ship portfolio which, in the same period in the previous year, had a positive effect in the amount of € 30 million. The commission expenses, on the other hand, rose by € 45 million largely due to fees in the amount of € 95 million for the guarantees of the state of Lower Saxony, which were provided contractually at the end of the year for contribution to the capital reserve by the state. The expiration of two existing securitisation transactions in the amount of € 45 million had a compensatory effect.

At € 140 million, **Profit/loss from financial Instruments at Fair Value through Profit or Loss** was € 55 million lower than the € 195 million seen the previous year. This was particularly attributable to a figure of € -31 million for financial assets mandatorily at fair value through profit or loss, and thus a change in the amount of € -90 million, in particular due to interest and credit-rating effects on measurement. In addition, a change in credit spreads lead to a negative performance of credit derivatives, which fell by € -46 million to € -10 million. First-time positive measurement effects of € 93 million in relation to the guarantees of the state of Lower Saxony had a counteracting effect which will be followed by future expenses in the same amount, either through necessary risk provision expenses or otherwise through the reversal of positive valuation effects. In addition, currency derivatives contributed positively to the report results with € 28 million (€ 15 million), as did the foreign exchange result of € 25 million (€ 22 million) and the sales margins of € 25 million (€ 25 million).

Risk provisioning in the amount of € –99 million changed by € –98 million compared to the same period in the previous year (€ –1 million). To give appropriate consideration to the dramatic darkening of the overall economic situation as a result of the COVID-19 pandemic, model adjustments in the amount of € 100 million were taken into account in risk provisioning as at the first half year.

The **Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss** of € -14 million (€ -10 million) was almost exclusively due to expenses from the repurchase of issued liabilities.

The **Profit/loss from hedge accounting** in the amount of € 17 million (€ 14 million) was mainly due to measurement effects related to interest rates and the basis spread.

The **Profit/loss from shares in companies** amounted to € -6 million (€ 13 million). Compared to the same period in the previous year, practically no income from the sale of participations was recorded. In addition, the result is particularly attributable to lower measurement effects and depreciation on participations.

The **Profit/loss from investments accounted for using the equity method** amounted to € 7 million (€ 20 million). The decline is largely due to the absence of the profit/loss contribution from a company that was sold at the end of 2019 and had been still contributing to the result in the prior-year period.

Administrative expenses decreased by € 25 million to € 462 million (€ 487 million) compared with the prior-year period. The decline in staff expenses is predominantly due to staff downsizing and is evident in the wage costs and the incidental wage costs. Increased costs under staff expenses for pension schemes and assistance had a counteracting effect. The material expenses were down on the same period last year, evidencing the successful implementation of the previously implemented cost optimisation program.

Other operating profit/loss at € –68 million (€ –39 million) essentially reflects the expenses in relation to the restructuring fund in the amount of € 71 million and expenses arising from the Sparkassen's deposit guarantee scheme of € 6 million. Compared to the previous year, other operating expenses are higher.

Earnings from restructuring and transformation amounted to € 25 million, whereby the share arising from restructuring in H1 is, as in the same period in the previous year, close to zero. Transformation expenses in the reporting period of € 25 million (€ 71 million) involve activities aimed at securing the future and maintaining the competitiveness of the NORD/LB Group; these expenses are reported separately due to their significance. The recognised items are non-recurring in nature and are not part of the operating business activities of the NORD/LB Group. These expenses arose essentially from consultancy services for strategic, IT and legal advice.

The **Tax expenditure** of € 2 million (€ 31 million) resulted mainly from positive tax results of the foreign Group units.

The **Cost-Income-Ratio (CIR)** is significantly down on the previous year as a result of lower revenue.

The **Return on Equity (RoE)** is practically zero as a result of the earnings before tax and thus lower than in the previous year.

The **Common Equity Tier 1 ratio** (CET1 ratio) has risen since 30 June 2019 from 6.63 per cent to 13.61 per cent as at the reporting date, due primarily to the capital measures implemented at the end of 2019.

The increase in the **leverage ratio** to 4.21 per cent (2.09 per cent) is mainly due to the capital increase.

Assets and Financial Position

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Trading assets	9 834	9 359	5
Financial assets mandatorily at fair value through profit or loss	1 473	1 768	– 17
Financial assets designated at fair value through profit or loss	–	–	–
Financial assets at fair value through other comprehensive income	16 283	17 185	– 5
Financial assets at amortised costs	94 977	104 215	– 9
Shares in companies	336	352	– 5
Investments accounted for using the equity method	149	147	1
Other assets	10 475	6 593	59
Total assets	**133 527**	**139 619**	**– 4**
Trading liabilities	3 469	3 331	4
Financial liabilities designated at fair value through profit or loss	7 366	7 754	– 5
Financial liabilities at amortised costs	108 629	115 487	– 6
Provisions	3 661	3 751	– 2
Other liabilities	4 463	3 458	29
Equity	5 939	5 838	2
Total liabilities	**133 527**	**139 619**	**– 4**

Total assets continued to fall as planned and decreased by around € 6 billion in the reporting period. Due, in particular, to the capital increase performed in December 2019, there was excess liquidity for the Group in the first six months of 2020, as was also evident in the condensed cash flow statement. With regard to the financial situation, we also refer to the risk report.

Trading assets of € 9,834 million (€ 9,359 million) consisted of € 5,275 million (€ 4,597 million) in derivative financial instruments as well as debt securities and receivables of € 4,559 (€ 4,762 million) held for trading. The change in the item is due primarily to an increase in positive fair values from receiver swaps as a result of the persistently low interest rate level.

Financial assets mandatorily at fair value through profit or loss primarily comprise debt securities and receivables. The drop from € 295 million to € 1,473 million is due particularly to falling receivables in the context of the reduction in ship finance as well as to measurement effects arising from the securities portfolio.

Financial assets at fair value through other comprehensive income in the amount of € 16,283 million (€ 17,185 million) included securities of € 15,084 million (€ 15,758 million) that are used for short and medium-term liquidity management or that are not generally intended to be held. This decrease is caused in particular by the fact that not all maturing securities were replaced and by the sale of securities as part of the reduction of risk-weighted assets.

At € 94,977 million (€ 104,215 million), **Financial assets at amortised cost** were the NORD/LB Group’s largest asset category by amount. The principal parts of the traditional credit and lending business are reported in this category. The reduction took place within the context of the Group's intention to reduce the total assets as part of the new business model and resulted, in particular, from the reduction in scheduled overnight money in the amount of € 4.5 billion as well as the reduction in credit and loans to companies in the amount of € 1.5 billion.

Other assets include the cash reserve, hedge accounting asset balances, property and equipment, investment property, intangible assets, assets held for sale, income tax assets and other assets. The steep rise results primarily from the increase in the cash reserve due to the repayment of overnight money assets in the amount of € 4.5 billion as well as normal changes specific to the key date.

Trading liabilities of € 3,414 million (€ 3,269 million) mainly included derivative financial instruments with negative fair values. The change in the item is due primarily to an increase in negative fair values from payer swaps as a result of the persistently low interest rate level. Counteracting this was a decline in currency derivatives due to volume- and valuation-related effects.

For **Financial liabilities designated at fair value through profit or loss**, the NORD/LB Group uses the fair value option to reduce or avoid accounting mismatches. The change in the amount of € -388 million is largely attributable to portfolio changes totalling € -427 million. Measurement effects resulting from credit ratings and interest rates in the amount of € 47 million had a positive impact on the result.

At € 108,629 million (€ 115,487 million), **Financial liabilities at amortised cost** was the largest category on the liabilities side by amount. The reduction is largely due to the fall in fixed-term deposits totalling € 2.6 billion, repo volumes of € 2.5 billion and securitised liabilities in the amount of € 1.2 billion.

The total amount of **Provisions** fell year-on-year by € 90 million. Of this amount, provisions for pensions and state aid obligations amounted to € 32 million, due to the increase in the actuarial interest rate from 1.50 per cent on 31 December 2019 to 1.65 on 30 June 2020. Furthermore, the restructuring provisions fell by € 52 million and the provisions for off-balance-sheet obligations fell by € 23 million The provisions for issued loan commitments and guarantees increased by € 20 million

The rise in **Other liabilities** resulted primarily from synthetic forward securities transactions.

On the basis of the consolidated profit of € 4 million and taking into account OCI changes, a comprehensive income of €103 million results, which leads to a **balance sheet equity amount** of € 5,939 million (€ 5,838 million). The remeasurement of the pension obligations at € 49 million contributed particularly to this as did the changes in financial assets at fair value through other comprehensive income and obligations at € 110 million, which are attributable to changes in the credit risk.

The total **Contingent liabilities and other obligations** remains almost at the previous year’s level and amounted to € 12.1 billion as at the balance sheet date (€ 11.9 billion). The changes resulted primarily from an increase in irrevocable credit commitments amounting to € 341 million and a reduction in sureties of € 81 million.

Overall Assessment

In the first half of the financial year 2020, the NORD/LB Group’s earnings, assets and financial position overall assessment remained satisfactory despite the continued challenges in the market environment. The earnings position was characterised by the decline in the net commission income and the lower prof-it/loss from financial instruments at fair value through profit or loss. Loan loss provisions, on which the COVID-19 pandemic previously had little impact, are at the level of the previous year due to a lump-sum adaptation in risk provisioning. In the reporting period, the NORD/LB Group posted a pre-tax profit of € 6 million, which represents a decline on the previous year's figure of € 174 million.

Forecast, Opportunities and Risk Report

General Economic Development

Global Economic Outlook

NORD/LB takes the view that while the second half of 2020 will bring a recovery in global economic activity, the growth rates in Germany, the eurozone and in the USA will however be clearly negative for 2020 as a whole. Further prospects for the development of the global economy remain fraught with uncertainty. While a recovery is in principle to be expected after the steep fall in the first half of the year, a strong second wave of infection could lead to new pressures at any time. In addition, Brexit remains a threat to the European economy due to the as yet unknown nature of the future relationship between the EU and the UK. Moreover, increasing geopolitical tensions between the USA and China are creating an economic risk.

In the basic scenario, however, NORD/LB is assuming a recovery in the global economy after the COVID-19 pandemic, which will mean a return to positive growth rates in Germany, the eurozone and the USA for the year 2021. NORD/LB is not expecting the important global central banks to increase key interest rates in the medium term either. Accordingly, a strong rise in capital market yields in the important currency areas is not expected.

Finance Sector

The macroeconomic developments within the eurozone and around the world have lead to an improvement in loan portfolios and capital ratios. That said, the banking markets still face significant challenges in light of the effects of the COVID-19 pandemic, ongoing digitalisation and the political risks (including Brexit and intercontinental trade conflicts), which are also jeopardising economic growth.

NORD/LB is of the view that the COVID-19 pandemic will have a significant impact on the banks and their financial statements, despite various regulatory easements, whereby banking systems such as those in Italy and Spain will be more strongly affected as these countries were hit particularly hard by the crisis. The signifi-cant material consequences will in the opinion of the Bank primarily take the form of second-round effects. Credit defaults will increase as a result of the massive economic collapse and the quality of portfolios will deteriorate overall due to weaker credit ratings. The challenges with respect to profitability will also in-crease. On the revenue side, NORD/LB expects that the economic downturn will lead to decreases and on the costs side to increased risk provisioning.

In addition to the task of managing the consequences of the COVID-19 pandemic, the European banking sector also faces other challenges. In addition to ongoing digitalisation forcing established banks to make major investments and hence increasing pressure on costs, there are also political risks (Brexit, governments critical of the EU (among others in Italy), intercontinental trade conflicts and protectionist tendencies) creating further uncertainties for the banking markets. In particular, the difficult interest-rate environment and the associated falling interest margins will, according to the Bank, force banks to respond by changing the business model. Particularly as the net interest results still make up a significant share of the overall earnings and the trend of combating falling interest margins by expanding the transaction volume has its limits, especially in light of the consequences of the COVID-19 pandemic.

Shipping

The retrofit wave caused by the introduction of low-sulphur fuels in 2020 is finally abating. The drop in prices on the oil market as a result of the COVID-19 pandemic and the disputes between OPEC and Russia regarding production volumes leaded to a sharp decline in bunker prices. The developments in prices and spreads between the new and the traditional bunker varieties anticipated in advance of the IMO 2020 implementation were irrelevant. As a result, the amortisation periods for investments in emission control systems in shipping increased. On the other hand, falling fuel prices had the positive effect of reducing the costs pressure while demand slumped over the course of the pandemic. This was particularly true for the container sector for which the company's forecasts were only moderately adjusted. As the pandemic progressed, however, growth forecasts for the global economy were corrected downwards massively and were even lowered again at half-way point of the year. There is hope that this trend can be reversed by boosting the Chinese economy and through massive supports in Europe; but the structure remains fragile, in light of how the pandemic has progressed in North and South America and on the Indian subcontinent. Rising case numbers over the holiday season in Europe are also concerning.

The outlook within the sector consequently presents a mixed picture. While a return to success within the cruise ship industry is not expected in the short term, due to the high number of laid-up vessels and the reduced attractiveness of offers, the prospects in the container sector are significantly brighter. Intra-Asian and European demand boosted charter rates again at the start of the third quarter.

In the bulker sector, the rise in crude steel production in China gives cause for hope, however iron ore imports are expected to be pretty stable over the course of the year. Given the globally weaker demand for coal imports, little impetus is evident in the sector. In general, given the economic uncertainty, a low incidence of ship-breaking and declining retrofitting with a slowly growing fleet and continuing volatility in rate movements are expected in the second half of the year.

Successfully implemented production cuts and falling stockpiles in combination with brisk deliveries and low scrappage figures provided for an increase in tonnage supply in the tanker sector. With global oil consumption still unstable, growth in the second half of the year remains limited. The same applies to the offshore sector. Neither the current oil price development nor the situation in the global economy would indicate that a recovery is im-minent in this sector.

Aircraft

Due to the Covid-19 pandemic, the IATA expects growth in global passenger traffic (RPK) to fall by 54.7 per cent in 2020. For 2020, the IATA is anticipating a loss of USD 84.3 billion for international airlines' net income (2019: USD +26.4 billion). This would correspond to a net margin of around -20.1 per cent (2019: +3.1 per cent).

The IATA forecasts a drop of 16.8 per cent in demand for air cargo volume (FTK).

Real Estate

For the European real estate market, the full impact of the COVID-19 pandemic remains to be seen. The difficult financing environment should pose challenges for market participants until the next financial year, 2021, at least. Given the persistently low interest-rate level and the absence of alternative investments, investment activities in commercial real estate, particularly in the core segment, should pick up again however in the second half of the year. In addition, the expected travel activities of investors should gain momentum, particularly in the case of international transactions.

The German investment market is viewed globally as one of the most stable and safest investment havens. Against this backdrop and given the generous supply of liquidity on the market, investment momentum should increase in H2 2020. Investors are expected to focus here on core properties with long-running leases and stable lessees, while the demand for value-added products or speculative project developments is expected to be weaker. Overall, the financial year 2020, which has been hit hard by COVID-19, is expected to experience diminishing transaction volumes of € 70 billion (2019: € 91.8 billion) for the German commercial property market.

Events after the Reporting Period

As part of the IBOR reform, discounting of secured transactions with the clearing houses EUREX Clearing AG and LCH Clearnet Ltd. were converted from EONIA to €STR at the end of July 2020. The differences in the derivative measurement were, in accordance with the professional instructions of the IDW BFA and FAB, immediately recorded through profit and loss in the income statement.

Extended Risk Report

Risk-Bearing Capacity

In the first six months of financial year 2020, the reduction of overall exposure continued. As it was the case for the entire of last year, the largest absolute share of this was attributable to the banks with € -4.3 billion. The expected negative consequences of the COVID-19 pandemic on counterparty risk as a result of rating migration and rising risk provisioning have proved to be weaker than forecast, such that on balance counterparty risk potential has declined somewhat. The market-price risk potential, from the economic perspective, rose in the first quarter of 2020 by 16.4 per cent compared to the year-end 2019 and remained practically unchanged at the same level in the second quarter. The cause of this is the decline in the interest level in the first quarter by approx. 35 basis points in the longer maturities (20 years and longer) in combination with the flattening of the interest curve. The slight reduction in the liquidity spread risk in the economic perspective resulted from the changes in the holdings in the securities portfolio and reduction in holdings of shipping loans in the first quarter and the reduction in the euro liquidity risk spread in the second quarter. The liquidity supply in the market was initially very strained at the end of the first quarter; by the end of the second quarter it had normalised progressively.

Since the implementation of measures to boost capital, the risk-strategy and regulatory requirements relating to capital (CET1, T1 and total capital) in 2020 have been continuously met. The risk-bearing capacity was achieved as at 30 June 2020.

On implementation of the ECB guidelines on ICAAP, as previously reported in the annual financial statements for 2019, there was a merger of the RTF scenarios (previously: Business Case and Resolution Case; now: value-at-risk approach as the economic perspective), hidden burdens were taken into account in the economic perspective, the time-related risk was quantified (present-value risk view), the CET1 capital was restricted and a buffer was introduced to take into account the interaction between the normative and economic perspective.

In the reporting period, business risk was defined as a material risk type, in addition to the risk types already defined as material (counterparty, market-price, liquidity and operational risks). The transformation of the Bank in the direction of a lower-risk and more streamlined business model, due to continue until 2023, has a significant influence on the earning power and profitability of the Bank. Therefore, NORD/LB decided to qualify the business and strategic risk as a material risk type. It is not included in the risk-bearing capacity calculation, but instead monitored quarterly using the defined income statement items. As at the reporting date, there was a risk amount of € 37 million; with that the defined thresholds for monitoring the business risk were complied with.

The economic perspective defines the CET1 capital as the maximum output value and considers deductions from economic viewpoints. As at 30 June 2020, an internal limit capital in the amount of € 4,291 million was offset by an aggregated risk position of € 2,424 million (based on a confidence level of 99.9 percent). The utilisation of the risk-bearing capacity was consequently 56 per cent.

Economic risk limits are monitored based on an approved operating limit in the amount of € 3,500 million. As at 30 June 2020, 69 per cent of the operating limit was utilised and the limit was sufficient to cover the risk positions in full. The requirements set out in the Group risk strategy in relation to the maximum permitted limit utilisation rate at material risk type level were met as at the current reporting date. The defined thresholds for monitoring business risk were also adhered to in the reporting period.

In the normative perspective (scenario-based consideration), limitation has also taken place since 2020 on the basis of adverse planning scenarios. The limits were likewise adhered to in the reporting period.

Risk-bearing capacity[1]	30 Jun. 2020	31 Dec. 2019
Normative perspective		
Common equity tier 1 capital (in € million)	5 662	5 792
Regulatory risk potentials (in € million)	3 327	3 187
Common equity tier 1 capital ratio (in %)	13.61%	14.54%
Tier 1 capital ratio (in %)	14.16%	15.33%
Total capital ratio (in %)	19.36%	20.76%
Economic perspective		
Total risk potential (in € million)	**2 424**	**2 283**
Counterparty risk	762	768
Market-price risk	1 226	1 055
Liquidity risk	69	92
Operational risk	367	367
Limit capital (in € million)	**4 291**	**4 600**
Risk capital utilisation (in %)	**56.5%**	**49.6%**

[1] Differences in totals are rounding differences.

Counterparty Risk

Counterparty risk comprises credit risk and investment risk. The developments in the credit risk are shown below.

Analysis of the total exposure

As at 30 June 2020, NORD/LB's total exposure was € 141 billion and fell by 6 per cent compared to the reference date (€ 150 billion). This reduced exposure resulted in particular from the sectors financing institutions/insurance companies (down by € 5.0 billion), service providers/others (down by € 2.0 billion) and transport/communications (down by € 1.2 billion). The focus of the total exposure continued to be on the very good to good rating classes.

The classification is based on the standard IFD rating scale, which has been agreed by the banks, savings banks and associations that belong to the "Initiative Finanzstandort Deutschland" (Initiative for Germany as a Financial Centre). This rating scale is intended to make it easier to compare the rating classes of the individual credit institutions. NORD/LB uses the 27 rating classes of the DSGV rating master scale aligned with the IFD categories.

The Rating Structure table shows the breakdown of the total exposure of the NORD/LB Group by IFD rating class, subdivided into product types.

Rating Structure[1)2)] (in € million)	Loans 30 Jun.2020	Securities[3)] 30 Jun.2020	Derivates[4)] 30 Jun.2020	Other[5)] 30 Jun.2020	Total exposure 30 Jun.2020	Total exposure 31 Dec. 2019
very good to good	73 408	19 179	4 852	16 716	114 157	123 266
stage 1[6)]	71 976	4 370	–	16 714	93 060	100 927
stage 2	14	–	–	1	15	149
fair value	1 418	14 809	4 852	2	21 081	22 191
good / satisfactory	9 159	896	335	1 574	11 964	11 285
stage 1	8 893	111	–	1 555	10 559	10 448
stage 2	207	483	–	8	697	471
fair value	60	302	335	11	708	366
reasonable / satisfactory	4 659	57	83	798	5 596	6 130
stage 1	3 998	–	–	741	4 739	5 378
stage 2	601	57	–	57	715	624
fair value	59	–	83	–	142	128
increased risk	3 449	185	202	528	4 364	3 768
stage 1	2 347	93	–	361	2 800	2 624
stage 2	1 092	54	–	167	1 314	896
fair value	10	38	202	–	250	249
high risk	1 072	–	11	100	1 184	1 438
stage 1	488	–	–	38	526	738
stage 2	582	–	–	62	643	685
fair value	2	–	11	–	14	15
very high risk	1 062	–	13	54	1 129	931
stage 1	262	–	–	6	269	260
stage 2	765	–	–	48	813	663
fair value	35	–	13	–	48	9
default (=NPL)[7)]	2 184	–	36	88	2 308	2 935
stage 3	2 041	–	–	88	2 129	2 602
fair value	143	–	36	–	179	333
Total	**94 994**	**20 316**	**5 532**	**19 859**	**140 702**	**149 754**
stage 1	87 964	4 574	–	19 416	111 954	120 373
stage 2	3 261	593	–	343	4 197	3 488
stage 3	2 041	–	–	88	2 129	2 602
fair value	1 728	15 149	5 532	12	22 422	23 290

1) The ratings are assigned on the basis of the initiative for Germany as a financial centre (IFD) rating classes.
2) Differences in totals are rounding differences.
3) Includes the securities holdings of third-party issues (only banking book).
4) Includes derivative financial instruments such as finance swaps, options, futures, forward rate agreements and currency transactions.
5) Includes other products such as pass-through and administered loans.
6) The risk provisioning stages of the impairment model are shown (net after fair-value deduction).

The items rated in the “very good to good” rating class fell over the reporting period by € 9.1 billion. Total exposure ranked in the best rating category (very good to good) fell slightly to 81 per cent (82 per cent). This can be explained by the fact that business with public authorities and financing institutions with good credit ratings has always been tremendously important, and it is therefore also a reflection of the NORD/LB Group’s risk policy.

The classification of the total exposure by sector groups shows that, as before, comparatively low-risk business with financing institutions and with public authorities, at cumulatively 51 per cent (52 per cent), still accounts for a significant proportion of the total exposure.

Industries by risk provisioning level[1)2)] (in € million)	stage 1[3)] 30 Jun.2020	stage 2 30 Jun.2020	stage 3 30 Jun.2020	Fair Value 30 Jun.2020	Total exposure 30 Jun.2020	Total exposure 31 Dec. 2019
Financing institutes / insurance companies	37 040	228	9	9 812	47 090	52 122
Service industries / other	44 018	1 765	278	9 872	55 933	57 938
Of which: Land, housing	15 820	265	56	589	16 730	17 260
Of which: Public administration	16 434	535	–	8 329	25 298	25 385
Transport / communications	4 769	906	1 277	685	7 638	8 792
Of which: Shipping	986	578	1 174	178	2 916	3 900
Of which: Aviation	637	265	93	23	1 018	1 124
Manufacturing industry	4 844	647	131	444	6 066	6 076
Energy, water and mining	14 539	353	294	1 229	16 415	16 856
Trade, maintenance and repairs	3 419	198	51	181	3 850	3 974
Agriculture, forestry and fishing	1 992	69	64	6	2 131	2 223
Construction	1 300	30	25	177	1 531	1 649
Other	33	–	–	15	48	123
Total	**111 953**	**4 197**	**2 130**	**22 422**	**140 702**	**149 753**

1) As with internal reporting, Allocation on the basis of economic criteria.
2) Differences in totals are rounding differences.
3) The risk provisioning stages of the impairment model are shown (net after fair-value deduction).

Industries[1)2)] (in € million)	Loans 30 Jun.2020	Securities[3)] 30 Jun.2020	Derivates[4)] 30 Jun.2020	Other[5)] 30 Jun.2020	Total exposure 30 Jun.2020	Total exposure 31 Dec. 2019
Financing institutes / insurance companies	26 873	9 540	1 968	8 709	47 090	52 122
Service industries / other	42 633	10 035	1 645	1 621	55 933	57 938
Of which: Land, housing	15 774	–	557	399	16 730	17 260
Of which: Public administration	14 856	9 930	373	138	25 298	25 385
Transport / communications	6 610	152	374	502	7 638	8 792
Of which: Shipping	2 764	–	40	112	2 916	3 900
Of which: Aviation	996	11	12	–	1 018	1 124
Manufacturing industry	4 945	154	290	677	6 066	6 076
Energy, water and mining	8 579	399	958	6 479	16 415	16 856
Trade, maintenance and repairs	3 352	31	146	320	3 850	3 974
Agriculture, forestry and fishing	666	–	6	1 459	2 131	2 223
Construction	1 308	–	136	87	1 531	1 649
Total	29	5	10	5	48	123
Total	**94 994**	**20 316**	**5 532**	**19 859**	**140 702**	**149 753**

1) As with internal reporting, Allocation on the basis of economic criteria.
2) to 5) please see the preceding Rating structure table.

The breakdown of the total exposure by region shows that the eurozone accounts for a hefty 83 per cent (83 per cent) of the total exposure and remains by far the most important business region for NORD/LB. Germany’s share of this is 69 per cent (69 per cent).

Regions[1)2)] (in € million)	Loans 30 Jun.2020	Securities[3)] 30 Jun.2020	Derivates[4)] 30 Jun.2020	Other[5)] 30 Jun.2020	Total exposure 30 Jun.2020	Total exposure 31 Dec. 2019
Euro countries	79 185	14 972	2 926	19 720	116 802	124 604
Of which: Germany	66 214	10 085	2 073	18 628	97 000	103 799
Other Europe	8 265	1 746	1 865	111	11 986	12 549
North America	4 070	2 528	376	–	6 975	6 999
Middle and South America	1 328	–	54	–	1 382	1 599
Middle East / Africa	469	–	–	28	496	645
Asia / Australia	1 677	1 071	312	–	3 060	3 356
Total	**94 994**	**20 316**	**5 532**	**19 859**	**140 702**	**149 753**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) to 5) please see the preceding Rating structure table.

Exposure in Greece, Ireland, Italy, Portugal, and Spain stands at € 4.7 billion (adjusted prior year value: € 4.8 billion, see footnote 3 of the table below). This makes up 3.3 per cent of the total exposure (adjusted prior year value: 3.2 per cent, see footnote 3 of the table below). The amount of receivables from the respective countries, regional governments and municipalities sank to € 468 million (€ 723 million). This translates into 0.3 per cent (0.5 per cent) of the total exposure.

30 Jun. 2020 **Exposure in selected European countries**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign Exposure	–	–	432	–	35	468
Financing institutes / insurance companies	–	437	102	–	390	929
Corporates / Other	–	2 702	384	19	192	3 297
Total	**–**	**3 139**	**918**	**19**	**617**	**4 693**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

31 Dec. 2019 **Exposure in selected European countries**[1)2)3)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign Exposure	–	–	617	–	106	723
Financing institutes / insurance companies	–	314	26	–	366	707
Corporates / Other	–	2 711	470	27	201	3 408
Total	**–**	**3 025**	**1 113**	**27**	**672**	**4 838**

1) The figures are reported, as in the internal reports, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.
3) Individual values of the comparison key date were adjusted in the tabular representation.

30 Jun. 2020 **Sovereign Exposure in selected European countries by maturity**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	–	–	–	–	–
more than 1 up to 5 years	–	–	54	–	35	90
more than 5 years	–	–	378	–	–	378
Total	**–**	**–**	**432**	**–**	**35**	**468**

1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.

31 Dec. 2019 **Sovereign Exposure in selected European countries by maturity**[1)2)] (in € million)	Greece	Ireland	Italy	Portugal	Spain	Total
up to 1 year	–	–	123	–	70	194
more than 1 up to 5 years	–	–	55	–	35	90
more than 5 years	–	–	439	–	–	439
Total	**–**	**–**	**617**	**–**	**106**	**723**

1) The figures are allocated by residual term of the contract and, as in the internal reporting, by the country in which the borrower is legally domiciled.
2) Differences in totals are rounding differences.
3) Individual values of the comparison key date were adjusted in the tabular representation.

The countries below were selected on the basis of the rating-dependent limit utilisation and a country-specific risk assessment, e.g. current natural disasters, armed conflicts, current or impending epidemics or pandemics, or the specific composition of portfolios. The focus was then refined further based on the criterion of credit risk exposure.

In Australia, NORD/LB has an exposure of € 650 million (€ 286 million with financing institutions/insurance companies and € 359 million with corporates/other plus € 4 million sovereign exposure). The investments in Australia included, for example, structured financing of solar farm installations that particularly reflect NORD/LB's commitment to renewable energies. In Mexico, NORD/LB has an exposure of € 287 million (exclusively corporates/other). In China, NORD/LB has an exposure of € 220 million (of which € 131 million with corporates/other, € 63 million with financing institutions/insurance companies and € 26 million in sovereign exposure). The Bank is also represented in China as a partner of German companies, but the focus is on aircraft financing and credit institutions. NORD/LB also closely monitors and analyses significant developments in other countries. However, the Bank does not consider it necessary to make any valuation allowances at this stage.

In addition to direct exposure, the reported exposure also comprises indirect exposure (primarily credit default swaps). The calculation is based on utilisation (in the case of guarantees, the nominal value, and in the case of securities, the carrying amount pursuant to the German Commercial Code (HGB)), and the credit equivalent resulting from derivatives (including add-ons and with due consideration of netting). Irrevocable and revocable credit commitments are included proportionally in the total exposure, while collateral provided to the NORD/LB Group is not taken into account. Sovereign exposure also includes exposure to regional governments, municipalities and state-affiliated companies with a guarantee of the respective state.

Market-Price Risk

Activities in the markets were heavily influenced by the COVID-19-pandemic in the first half of 2020. The poor economic position of many companies as a result of the coronavirus crisis caused the credit spreads in many asset classes to rise considerably in March. In the meantime, the credit spreads have narrowed again in part. The interest rates have been more volatile since the outbreak of the COVID-19 pandemic than they were before the crisis.

In accordance with ICAAP, management of the market-price risks comprises the economic and the normative perspectives. In the economic perspective, the present value risk potentials are reported and limited. This perspective corresponds to the former resolution case. The previous business case was replaced with a sce-nario-based consideration and limitation within the framework of the normative perspective. When deter-mining the results, adverse stress scenarios were used as a basis. As at the reporting date, the limit in the normative perspective had been complied with.

In the economic perspective, the process of historic simulation is applied uniformly across the entire Group. The value-at-risk (VaR) is calculated in the analyses of risk-bearing capacity at a confidence level of 99.9 per cent and a holding period of 250 trading days.

As at 30 June 2020, the VaR calculated for NORD/LB in the economic perspective amounted to € 1,226 million. This corresponds to an increase of € 171 million compared to the end of the prior year (31 December 2019: € 1,055 million). The limit utilisation was 80 per cent as at the reporting date.

In the correlated total risk exposure in the economic perspective, interest-rate risks and credit-spread risks dominate. All other types of risk are of minor significance. The correlated total risk exposure for NORD/LB breaks down into the following individual risk types:

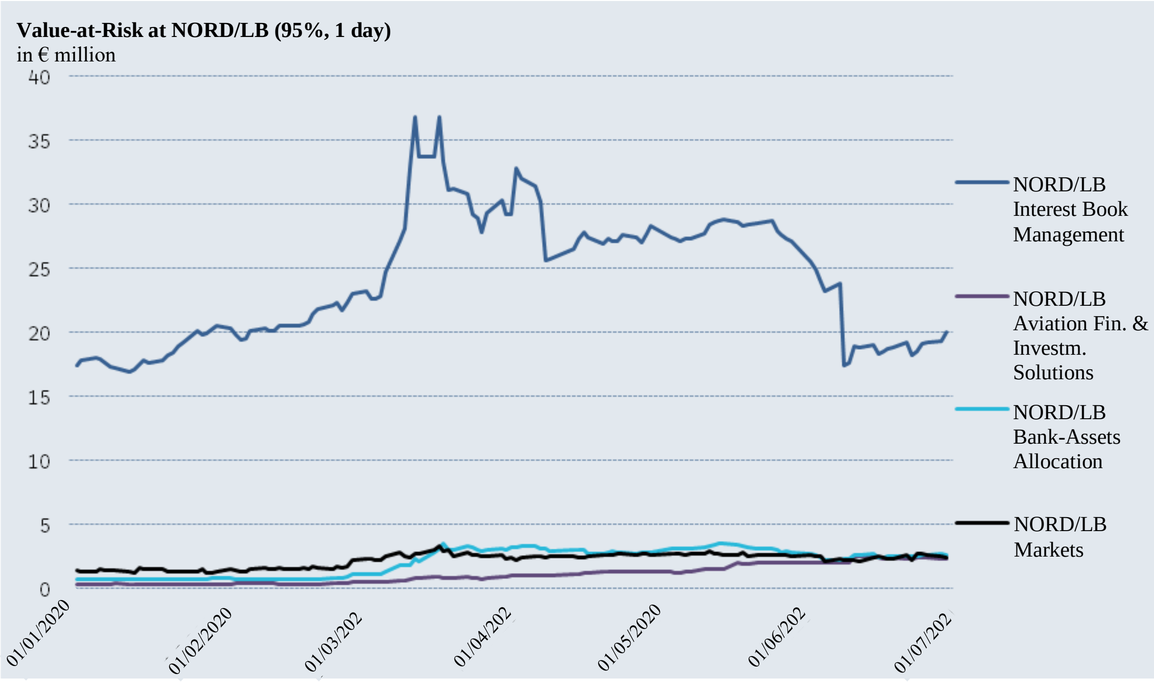
Market-Price Risks[1]	Economic Perspective		
in € million	30 Jun. 2020	31 Mar. 2020	31 Dec. 2019
Interest rate risk	725	745	668
Credit-spread-risk	750	810	745
Currency risk	105	118	101
Stock price and fund price risk	4	4	4
Votality risk	12	19	20
Other add-ons	43	53	55
Total risk[2]	**1 226**	**1 228**	**1 055**

1) Value at Risk (99.9 per cent; 250 days holding period).
2) Due to diversification effects, the overall risk is smaller than the sum of the individual risks.

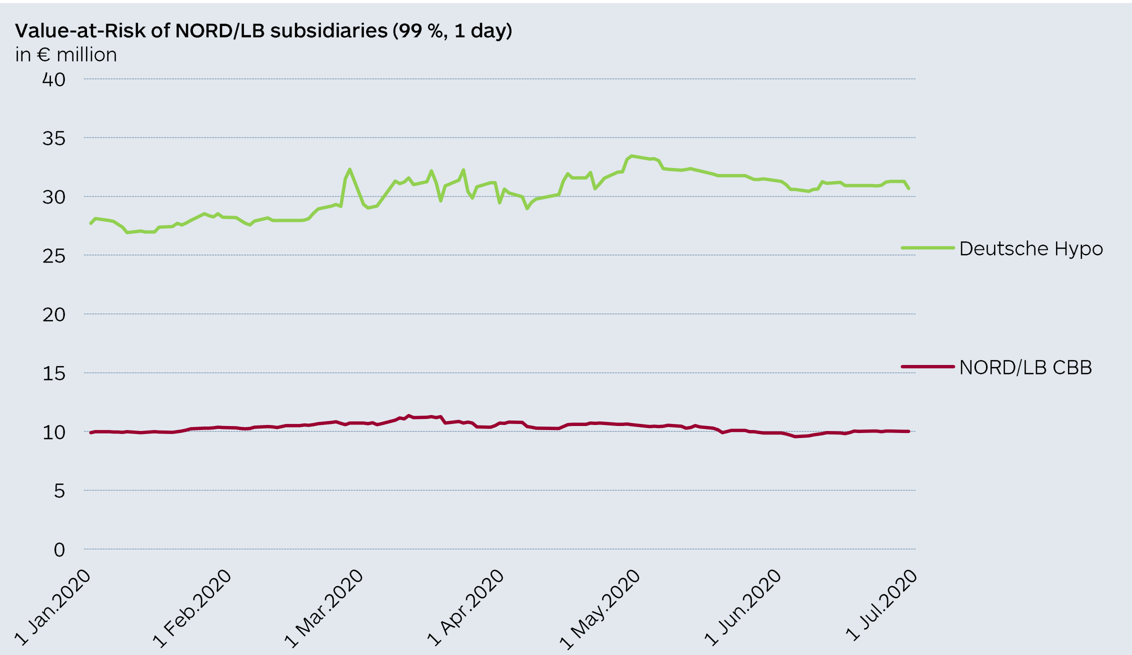
The operational limiting of the individual sub-portfolios in the trade and treasury section of the relevant units of NORD/LB is implemented by way of corresponding sub-limits, which are derived from the total limit for market-price risks for NORD/LB. The operational limiting of the corresponding VaR ratios is implemented with different parameters (confidence level, holding period) than in the risk-bearing capacity model. The present value risk ratios of the key sub-portfolios in NORD/LB are determined daily.

Both of the charts below show the development of the correlated value-at-risk, as calculated each day, in the present value perspective (economic perspective) for the key sub-portfolios of the relevant units of the NORD/LB Group.

For NORD/LB AöR, a confidence level of 95 per cent and holding period of one trading day is applied in operational limiting. As a result of the coronavirus crisis, the increased volatility in interest rates and the expansion of the credit spreads in March lead to a significantly increased risk in the "NORD/LB Interest Book Management" portfolio. Previously, the falling interest rate level had already lead to a successively rising risk via the valuation of the long-term pension commitments. In the second quarter, there was a reduction in the risk as a result of a model adjustment in the representation of pension risks and the comprehensive technical consideration of the guarantee granted by the state of Lower Saxony in operational management.



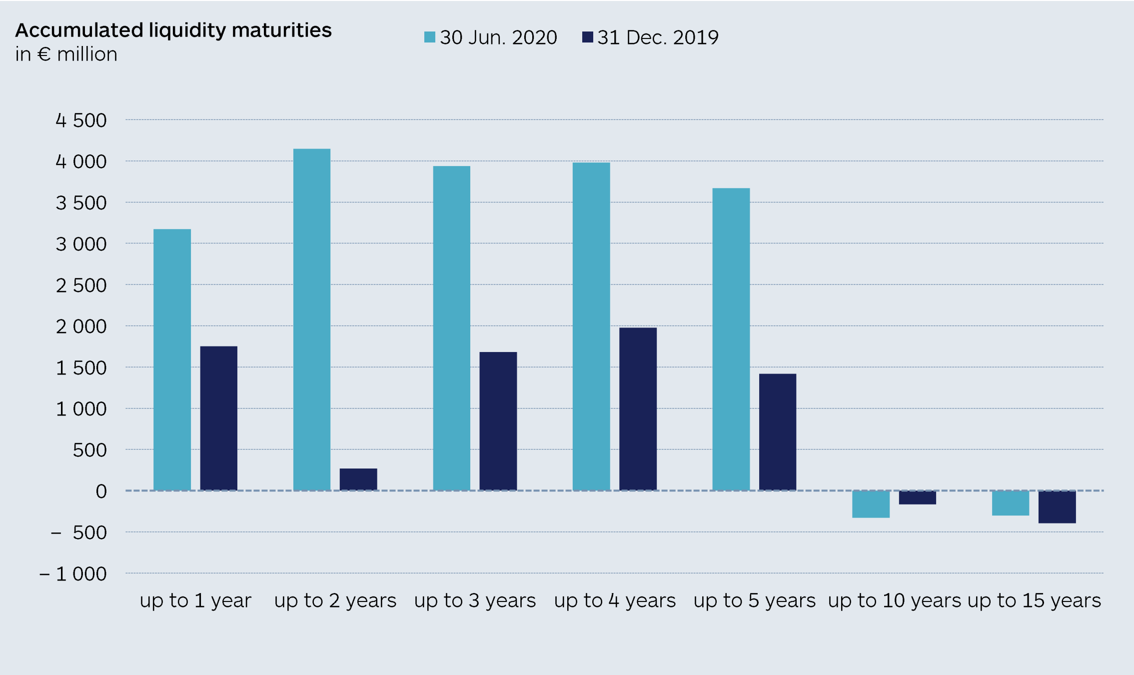
For the Group subsidiaries Deutsche Hypothekenbank and NORD/LB Luxembourg CBB, a confidence level of 99 per cent and likewise a holding period of one trading day are used. The representation of the course of the VaR in the following table thus refers to the confidence level, at which the subsidiary institutions are being managed. The risk of the subsidiary institutions has not changed materially year-on-year.



NORD/LB will continue to monitor market developments carefully in H2 2020 for all relevant asset classes. Based on the risk policy, the gradual enhancement of risk models and the risk management process, and the focused trade strategy, NORD/LB is well prepared on the whole, even for volatile market phases.

Liquidity Risk

Despite occasional uncertainty on the money and capital market due to the COVID-19 pandemic, there was sufficient liquidity on the market for most of the reporting period. This was particularly due to the monetary-policy measures of the European Central Bank. At the beginning of 2020, the ratings improved significantly at NORD/LB as a result of the implemented and planned measures related to the reduction of the shiploan portfolio and the completed capital measures. The liquidity situation of NORD/LB proved to be comfortable after the capital increase at the end of 2019. In March 2020, the uncertainty caused by COVID-19 in the market lead to a phase of liquidity stockpiling, in which the central banks intervened to assist. NORD/LB took this situation into consideration promptly in its liquidity stress tests, with a particular eye to the danger of increased liquidity outflows, especially through drawing down credit commitments and demand deposits. Ongoing developments will be monitored closely and re-evaluated. Over the course of the pandemic, the focus has increasingly shifted to an increased credit-default risk, which is taken into consideration by NORD/LB in the liquidity stress test. In H1 2020, the internal liquidity stress scenario relevant for management purposes was managed for NORD/LB at group level entirely in the green phase, and, as at the reporting date, the liquidity was satisfactory. NORD/LB AöR found itself in the yellow phase on a total of 24 days during the reporting period as a result of the severity of the COVID-19 stress scenario. The liquidity buffers were maintained for one week and one month, in accordance with the Minimum Requirements for Risk Management (MaRisk). NORD/LB's cumulated liquidity maturity balance sheet as at the reporting date shows at the sampling points up to ten and up to fifteen years liquidity gaps. All other maturities reveal a liquidity surplus. The reduction of assets which primary took place in the first quarter effected a relief in the maturities up to five years. The liquidity gap was within the limits derived from the risk-bearing capacity model. At NORD/LB level the limits were respected in the year under review, both when taking all currencies into account and when taking the key individual currencies into account.



NORD/LB is active in highly liquid markets and maintains a portfolio of high-quality securities. As at the reporting date, the material companies of NORD/LB held securities worth € 26 billion (€ 27 billion), of which 80 per cent (81 per cent) were suitable for repo transactions with the European Central Bank (ECB). As per 30 June 2020, the liquidity coverage ratio (LCR) stood at 164.1 per cent (previous year: 166.5 per cent).

Operational Risk

NORD/LB uses the standard approach of CRD IV (Pillar I) to calculate the capital requirement. At Group level, this requirement as at 30 June 2020 amounted to € 258 million (€ 321 million). As at the reporting date, the losses of NORD/LB stood at € 0.55 million (full-year 2019: € 11.1 million). This value resulted predominantly from the cause category "Employees". It should be noted here that thus far no consequences from the COVID-19 pandemic have been identified on the number of loss events in operational risk.

Adherence to the principles for preventing the financing of terrorism is ensured at NORD/LB as part of the comprehensive protection and prevention measures put in place by Compliance.

Overall Assessment

In the first half of 2020, the COVID-19 pandemic plunged the world into its deepest recession since World War II. To contain the pandemic, economic activity in almost every country around the globe was restricted to an unprecedented degree. Indications of an economic stabilisation and a gradual recovery are slowly becoming more evident. For the NORD/LB Group, the first half of 2020 started well. Thus far, the impact of the coronavirus is only marginally tangible. However, the economic environment remains challenging, particularly in light of the consequences of the pandemic such as e.g. the persistent phase of low interest rates.

With the implementation of the capital measures, a transformation process began at NORD/LB, which is to lead to the redimensioning and realignment of the NORD/LB Group. The timetable for the Bank's transformation has not been changed by the exceptional pandemic-related circumstances of the last weeks and months. It is expected that the planned staff downsizing will be implemented entirely through voluntary measures. However, the restructuring of the Bank and the planned investment in new IT systems will have a negative impact on income for 2020 and the coming years.

A determining factor for income in the first half of the year was the overall positive earnings performance, which was able to compensate for the posting of bank levies and deposit guarantees for all of 2020, fees for portfolio guarantees and the higher risk provisioning as part of the model adjustment to take into consideration the overall economic situation of the COVID-19 pandemic.

The preparation of the condensed interim consolidated financial statements and interim Group management report was based on the most recently adopted capital planning of the NORD/LB Group within the framework of the EU business plan. As part of the regular planning process which takes place in the third and fourth quarters and after the adjustment of the current Forecast 2020, the NORD/LB Group considers that an adjustment of the planned values for subsequent years will be likely. This is already reflected as much as possible in the management adjustment for risk provisioning in the condensed interim consolidated financial statements as at 30 June 2020. The particular situation, against the backdrop of the COVID-19 pandemic, does not indicate any developments that might jeopardise the company's ability to continue as a going concern.

While the assumed earnings for year-end 2020 are markedly below the level of the previous year, they are however above the target, due to the forecast growth. Lower earnings in the market divisions (e.g. measurement effects, significantly lower earnings on the liabilities side due to the interest-rate level and lower commission income as a result of lower expectations of new business) are more than compensated for through positive central effects.

Due to the COVID-19 pandemic, the NORD/LB Group expects that risk provisioning at the end of the year will be significantly higher than both the prior year level and the original plan. The administrative expenses are anticipated to be marginally above the plan level in the current Forecast 2020, but still slightly below the previous year's level. The result from restructuring and transformation (formerly restructuring and reorganisation) for measures within the framework of the realignment and re-dimensioning of NORD/LB, which was significantly lower than in the previous year, is Forecast to be moderately above plan level in Forecast 2020.

As a result of the decline in income and possible negative effects on the allowance for losses on loans and advances, the NORD/LB Group is expected to show a negative result overall in 2020, despite declining administrative expenses and lower expenses for restructuring. Due to the macroeconomic situation described above and in the context of the COVID 19 pandemic, the statements made above are subject to a high degree of uncertainty and may change in the future. In particular, it cannot be ruled out that the further development of the risk provision until the end of the year will differ from the current estimates. For this reason, it is not possible to make more concrete statements on the results for 2020 at present.

In light of the overall economic situation described at the outset and in the context of the COVID-19 pandemic, the statements made above are fraught with uncertainty and may change even in the very near future. In particular, the possibility that by year's end the further development of risk provisioning could be very different to the current estimates cannot be excluded. For this reason, concrete statements regarding the annual result for 2020 are not possible at this time.

Up to year end 2020, a tangible increase in the total risk exposure amount (risk-weighted assets; RWA) is currently expected both in respect of the previous year's figure and the original plan; this is particularly due to coronavirus-related, negative rating migrations stemming from updates of customer ratings and the utilisation of credit lines.

In the current Forecast 2020, the total assets of the NORD/LB Group are up marginally compared to the original plan, but are slightly below the figure for the previous year.

After the implementation of the capital measures in the previous year, the regulatory requirements and binding stipulations regarding the provision of regulatory capital and MREL-eligible capital are met in full in the current Forecast 2020. One fundamental component of regulatory equity capital is common equity tier 1 capital in accordance with the CRR. With respect to the total risk exposure amount in accordance with Art. 92 (3) of the CRR, Common Equity Tier 1 capital is included in the Common Equity Tier 1 capital ratio. The Bank expects that the Common Equity Tier 1 ratio in the current Forecast 2020 could remain markedly below the previous year's level due primarily to the rising total risk exposure amount. Even at this reduced level, the Common Equity Tier 1 ratio will however exceed all statutory requirements and other individual banking supervisory regulations.

Exogenous Opportunities and Risks

Economic Factors

The uncertain global economic development as a result of the COVID-19 pandemic may lead to geopolitical tensions and unpredictable market disruptions due to political or economic developments. Examples of this include US trade policy, the impact of Brexit, an easing or intensification of the sovereign debt crisis and the persistent low interest-rate phase. This may lead in 2020 to further deviations from the planning premises and the economic forecast with respect to yield curves, exchange rates and the economic situation, with corresponding opportunities and risks for the earnings situation of NORD/LB.

Regulatory Environment

Furthermore, potential new regulatory requirements, the level of bank levies and expenses for deposit guarantee schemes may pose a risk to NORD/LB’s equity ratio.

Company-Specific Opportunities and Risks

NORD/LB 2024 Transformation Program

General opportunities but also risks are present at the implementation of NORD/LB’s redimensioning process, although this will not be completed properly until 2024. This process aims to wind down the portfolios in selected areas of business, reduce the number of staff and, as a result, simplify the structure of the Group. Furthermore, there is a risk that the restructuring expenses proposed for the redimensioning process will prove to be insufficient. If the earmarked measures are not implemented as planned, this could lead to operational risks and pressure on the NORD/LB Group’s profitability and KPIs.

Rating

Moody’s decision to upgrade NORD/LB’s rating from Baa2 to A3/stable on 9 January 2020 following the successful implementation of capital measures has improved funding conditions and may trigger a further positive impetus for the realigned business model with the corresponding opportunities in the development of the earnings situation.

Condensed Interim Consolidated Financial Statements as at 30 June 2020

Income Statement

	Notes	1 Jan.-30 Jun. 2020 (in € million)	1 Jan.-30 Jun. 2019 (in € million)	Change (in %)
Interest income from assets		2 459	2 780	– 12
of which: interst income calculated using the effective interst method		*1 116*	*1 322*	*– 16*
Interest expenses from assets		29	26	12
Interest expenses from liabilities		1 929	2 315	– 17
Interest income from liabilities		42	57	– 26
of which: interst income calculated using the effective interst method		*42*	*57*	*– 26*
Net interest income	**9**	**543**	**496**	**9**
Commission income		107	139	– 23
Commission expenses		134	89	51
Net commission income	**10**	**– 27**	**50**	**> 100**
Profit/Loss from financial instruments at fair value through profit or loss	11	140	195	– 28
Risk provisioning	12	– 99	– 1	> 100
Disposal profit/loss from financial assets that are not measured at fair value through profit or loss [1]	13	– 14	– 10	40
Profit/loss from hedge accounting	14	17	14	21
Profit/loss from shares in companies		– 6	13	> 100
Profit/loss from investments accounted for using the equity method		7	20	– 65
Administrative expenses	15	**462**	**487**	**– 5**
Other operating profit/loss	16	– 68	– 39	74
Earnings before restructuring, transformation and taxes		**31**	**251**	**– 88**
Profit/loss from restructuring and transformation	17	25	71	– 65
Earnings before taxes		**6**	**180**	**– 97**
Income taxes	18	2	31	– 94
Consolidated profit/loss		4	**149**	**– 97**
of which: attributable to the owners of NORD/LB		*11*	*152*	
of which: attributable to non-controlling interests		*– 7*	*– 3*	

[1] From the sale of financial assets valued at amortised cost, there is a loss of € 7 million (€ 1 million).

Statement of Comprehensive Income

The statement of comprehensive income for NORD/LB Group is comprised of the income and expenses recognised in the income statement and in other comprehensive income (OCI).

	1 Jan.-30 Jun. 2020 (in € million)	1 Jan.-30 Jun. 2019[1)] (in € million)	Change (in %)
Consolidated profit/loss	**4**	**149**	**– 97**
Changes in equity instruments at fair value through other comprehensive income			
Investments accounted for using the equity method - Share of other comprehensive income	2	– 13	> 100
Changes in designated financial liabilities at fair value through profit or loss due to changes in own credit risk	62	– 70	> 100
Revaluation of the net liability from defined benefit pension plans	49	– 357	> 100
Deferred taxes	– 40	77	> 100
	73	**– 363**	**> 100**
Other comprehensive income which is recycled in the income statement in subsequent periods			
Changes in financial assets at fair value through other comprehensive income			
Unrealised profit/losses	26	279	– 91
Reclassification due to profit/loss realisation including reclassifications to financial assets at fair value	22	– 48	> 100
Investments accounted for using the equity method - Share of other comprehensive income	– 5	41	> 100
Translation differences of foreign business units			
Unrealised profit/losses	– 3	–	–
Deferred taxes	– 14	– 89	– 84
	26	**183**	**– 86**
Other profit/loss	**99**	**– 180**	**> 100**
Comprehensive income for the period under review	**103**	**– 31**	**> 100**
of which: attributable to the owners of NORD/LB	110	– 28	
of which: attributable to non-controlling interests	– 7	– 3	

[1)] For individual items, the previous year's figures have been adjusted, see Note (6) Restatement of previous year's figures.

Balance Sheet

Assets	Notes	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Cash reserve		6 823	3 454	98
Trading assets		9 834	9 359	5
of which: Loans and advances to customers		*532*	*582*	– 9
Financial assets mandatorily at fair value through profit or loss	19	1 473	1 768	– 17
of which: Loans and advances to banks		*56*	*63*	– 11
of which: Loans and advances to customers		*387*	*491*	– 21
Financial assets at fair value through other comprehensive income	20	16 283	17 185	– 5
of which: Loans and advances to banks		*546*	*652*	– 16
of which: Loans and advances to customers		*653*	*774*	– 16
Financial assets at amortised costs	21	94 977	104 215	– 9
of which: Loans and advances to banks		*15 208*	*19 986*	– 24
of which: Loans and advances to customers		*75 609*	*80 049*	– 6
Positive fair values from hedge accounting derivatives		869	1 019	– 15
Balancing item for financial instruments hedged in in the portfolio fair value hedge		474	281	69
Shares in companies	22	336	352	– 5
Investments accounted for using the equity method		149	147	1
Property and equipment	23	326	339	– 4
Investment property		120	122	– 2
Intangible assets	24	131	139	– 6
Assets held for sale	25	20	81	– 75
Current income tax assets		12	17	– 29
Deferred income taxes		388	435	– 11
Other assets		1 312	706	86
Total assets		**133 527**	**139 619**	**– 4**

Liabilities	Notes	30 Jun. 2020 (in € million)	31 Dec.2019 (in € million)	Change (in %)
Trading liabilities		3 469	3 331	4
Financial liabilities designated at fair value through profit or loss	26	7 366	7 754	– 5
of which: Liabilities to banks		*292*	*349*	– 16
of which: Liabilities to customers		*4 202*	*4 254*	– 1
of which: Securitised liabilities		*2 872*	*3 151*	– 9
Financial liabilities at amortised costs	27	108 629	115 487	– 6
of which: Liabilities to banks		*33 014*	*35 168*	– 6
of which: Liabilities to customers		*50 137*	*53 633*	– 7
of which: Securitised liabilities		*25 272*	*26 270*	– 4
of which: Subordinated liabilities		*2 538*	*3 137*	– 19
Negative fair values from hedge accounting derivatives		2 200	2 019	9
Balancing item for financial instruments hedged in the portfolio fair value hedge		1 141	1 045	9
Provisions	28	3 661	3 751	– 2
Current income tax liabilities		36	35	3
Deferred income taxes		70	65	8
Other liabilities		1 016	294	> 100
Equity				
Issued capital		2 835	2 835	–
Capital reserves		2 589	2 589	–
Retained earnings		1 078	1 081	–
Accumulated OCI		– 608	– 722	– 16
Currency translation reserve		– 12	– 9	33
Equity capital attributable to the owners of NORD/LB		**5 882**	**5 774**	**2**
Additional equity		50	50	–
Equity capital attributable to non-controlling interests		7	14	– 50
		5 939	**5 838**	**2**
Total liabilities		**133 527**	**139 619**	**– 4**

Condensed Statement of Changes in Equity

(in € million)	Issued capital	Capital reserves	Retained earnings	Accu-mulated OCI	Currency translation reserve	Equity capital attribut-able to the owners of NORD/LB	Additional equity	Equity capital attribut-able to non-controlling interests	Consoli-dated equity
Equity as at 1 Jan. 2020	**2 835**	**2 589**	**1 081**	**– 722**	**– 9**	**5 774**	**50**	**14**	**5 838**
Adjusted comprehensive income for the period under review	–	–	11	102	– 3	110	–	– 7	103
Other changes in capital	–	–	– 14	12	–	– 2	–	–	– 2
Equity as at 30 Jun. 2020	**2 835**	**2 589**	**1 078**	**– 608**	**– 12**	**5 882**	**50**	**7**	**5 939**

(in € million)	Issued capital	Capital reserves	Retained earnings	Accu-mulated OCI	Currency translation reserve	Equity capital attribut-able to the owners of NORD/LB	Additional equity	Equity capital attribut-able to non-controlling interests	Consoli-dated equity
Equity as at 1 Jan. 2019	**1 607**	**3 332**	**– 1 144**	**– 404**	**– 11**	**3 380**	**50**	**– 68**	**3 362**
Adjusted comprehensive income for the period under review	–	–	152	– 180	–	– 28	–	– 3	– 31
Changes in the basis of consolidation	–	–	– 7	–	–	– 7	–	29	22
Other changes in capital	–	– 2 350	2 343	7	–	–	–	–	–
Equity as at 30 Jun. 2019	**1 607**	**982**	**1 344**	**– 577**	**– 11**	**3 345**	**50**	**– 42**	**3 353**

Condensed Cash Flow Statement

	1 Jan. - 30 Jun. 2020 (in € million)	1 Jan. - 30 Jun. 2019 (in € million)	Change (in %)
Cash and cash equivalents as at 1 January	**3 454**	**1 519**	**> 100**
Cash flow from operating activities	4 017	– 960	> 100
Cash flow from investment activities	– 6	– 11	– 45
Cash flow from financing activities	– 640	– 63	> 100
Total cash flow	**3 371**	**– 1 034**	**> 100**
Effects of changes in exchange rates	– 2	9	> 100
Cash and cash equivalents as at 30 June	**6 823**	**494**	**> 100**

The cash flow statement is not a substitute for liquidity or financial planning in the NORD/LB Group, nor is it used as a control tool. With regard to the management of the liquidity risk within the NORD/LB Group, please refer to the information in the risk report.

Selected Notes

General Disclosures

(1) Principles for the Preparation of the Consolidated Financial Statements

Norddeutsche Landesbank Girozentrale Hanover, Braunschweig, Magdeburg (NORD/LB) is registered with the Hanover (HRA 26247), Braunschweig (HRA 10261) and Stendal (HRA 22150) local courts. The interim consolidated financial statements of NORD/LB as at 30 June 2020 were prepared on the basis of 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 (IFRS) of the International Accounting Standards Board (IASB) as applicable within the European Union. The interim financial statements meet the requirements of IAS 34 for condensed interim financial reporting. The national provisions of the German Commercial Code (HGB) under § 315e HGB were also observed, to the extent applicable as at the interim financial statements' reporting date. The interim consolidated financial statements are to be read in conjunction with the information contained in the certified, published consolidated financial statements of NORD/LB as at 31 December 2019.

NORD/LB, as a group established under commercial law, is referred to below as the NORD/LB Group. The interim consolidated financial statements as at 30 June 2020 comprise the income statement, the statement of comprehensive income, the balance sheet, the condensed statement of changes in equity, the condensed cash flow statement and selected notes. Segment reporting takes place within the Notes in Note (8) Segment reporting by business segment. Reporting on the nature and scope of risks relating to financial instruments in accordance with IFRS 7 is provided mainly in a risk report within the interim Group management report.

The reporting currency for the interim financial statements is the euro. All amounts are stated as rounded figures in millions of EUR (€ million) according to standard commercial practice, unless otherwise indicated. The figures for the previous year are stated afterwards in brackets.

These interim consolidated financial statements were prepared by the Managing Board on 18 August 2020 and approved for publication.

(2) Impact of the Coronavirus Crisis

The Group has taken various measures to minimise or mitigate the economic consequences of the unprecedented COVID-19 pandemic, which is causing highly dynamic developments worldwide. The anticipated consequences of the pandemic had not yet been fully reflected in the risk provisioning as at 30 June 2020. For this reason, the Managing Board of NORD/LB decided to form a management adjustment (MAC-19) for the performing loans in accordance with IFRS 9, to quickly map the expected impact on risk provisioning according to IFRS in the consolidated semi-annual financial statements for 2020. The objective of the MAC-19 is to take into account the expected effects of the COVID-19 pandemic in risk provisioning. Here the focus is on effects from expected rating downgrades.

It is based on the U scenario of the COVID-19 stress case, which in turn is based on the economic forecasts of NORD/LB Research and then transformed by experts in the relevant areas of the Group into rating and loss ratio shifts. The results were then limited, for the adjustment, to sectors that are particularly severely affected by the pandemic. The basis for this are those sectors for which the forbearance element has been temporarily suspended since 23 March 2020. Positions which received a new rating during the pandemic were excluded, as consideration of the COVID-19 pandemic in the systems is assumed here. Effects determined for transactions that had expired or been migrated to the loss column (Level 3) as at 30 June 2020 are likewise not part of MAC-19. For the NORD/LB Group, the amount posted was € 100 million. The key drivers here were the sectors Real Estate with around € 30 million, Aviation with around € 24 million and Metal and Plant Engineering with approximately € 17 million.

Furthermore, in the first six months of the year, NORD/LB granted deferrals of interest and principal repayments, as well as taking other measures, as part of the state-organised moratorium for consumer loan contracts. Interest was not charged on the former. These did not result in material impacts on the earnings situation.

The performance of the result arising from the fair value measurement is dependent on various market parameters. In the first quarter of 2020, the COVID-19 pandemic lead to a sharp increase in credit spreads, which despite already falling back again in the second quarter of 2020, remained above the level of 31 December 2019. Thus for example the Itraxx Europe index hit a year high on 18 March 2020 at around 135 basis points but had fallen back to around 65 basis points on 30 June 2020. This is reflected in the income from debt securities and credit derivatives, which was € -39 million on 30 June 2020. The performance of CVA/DVA (30 June 2020: € -27 million) was largely caused by the significant market data movements that occurred over the course of the COVID-19 pandemic. In particular, the significant narrowing of interest rates in all major currencies as well as the sharp rise in credit spreads in the first quarter 2020 contributed to the expansion of the CVA/DVA. Here too, an improvement in results set in as early as the second quarter due to the partial recovery in the markets. Likewise, the change in credit spreads impacted on the measurement of the guarantees granted by the state of Lower Saxony which were accounted for as credit derivatives as at 30 June 2020, in the amount of € 93 million, which will be followed by a future expense in the same amount, either due to allowances for losses on loans and advances that are still necessary or otherwise due to the reversal of the positive valuation effects.

(3) Explanation of the Accounting-related Impact of the Guarantee Contracts from the Support Contract

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

- Granting of three guarantees by the state of Lower Saxony to protect specific loan portfolios from the Ship Customers/Maritime Industries Customers and Aircraft Customers segments with effect from the date of execution of the support contract. For the Ship Customers/Maritime Industries Customers loan portfolio, the guarantees cover the net carrying amount of a portfolio with non-performing loans (NPL) totalling around € 0.5 billion to protect the total guarantee amount of maximum € 0.5 billion and another portfolio with performing loans (PL) to protect the gross carrying amount with a total guarantee amount of around € 1.4 billion. For the Aircraft Customers segment, a portfolio with a total guarantee amount of around € 1.4 billion was secured. The guarantee amounts relating to the hedging of gross carrying amounts derive from the original loan amounts in the foreign currency and other elements.
- Furthermore, the support contract provides for an exemption of the Bank by the state of Lower Saxony from risks associated with the potentially increased health-care benefits payable by NORD/LB to its retirees and employees up to an amount of € 200 million.

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

In the consolidated balance sheet of NORD/LB, the guarantee agreements are posted as credit derivatives and measured at fair value, as, viewed individually, they do not fulfil the prerequisites of the applicable accounting standards for the presence of a financial guarantee. Taking into consideration the individual measurement principle, these derivatives cannot be offset in the balance sheet to mitigate risks as securities for the transactions contained in the hedged portfolios. Consequently, all transactions in the guarantee portfolios remain subject to risk provisioning and ongoing fair value measurement, even after conclusion of the guarantee contracts. The hedging effect of the derivatives is visible at the level of the income statement of the NORD/LB Group by way of the compensative recording of the counterbalancing measurement effects arising from the hedged risks (risk provisioning and fair value changes) of the guarantee portfolio and of the performance of the derivatives in the subsequent periods. In this respect, the compensation effect may be postponed to later periods during the guarantees' term due to differences in the measurement methods. This only involves temporary differences, as over the term of the relevant guarantee the market value of the derivatives gets closer to the final settlement amount, which corresponds to the sum of the contractual payment obligations of the guarantor arising from the guarantee cases. Regarding the positive effects for the first half of 2020 and the resulting future burdens, we refer to Note (2).

In return for granting the guarantees, NORD/LB pays the state of Lower Saxony a commission for each one. With respect to the guarantee for the NPL portfolio, this is determined variably as a percentage of the total guarantee amount which reduces in line with the portfolio reduction and is charged monthly. For the two PL portfolios, a fixed guarantee fee is stipulated which is payable in defined quarterly instalments (Note (10) Net commission income).

The guarantee contracts end no earlier than either the time at which the relevant guarantee portfolio has been completely wound up and all outstanding payment obligations have been settled (variable maturity date), or on 31 December 2024 (fixed maturity date; does not apply to the NPL portfolio guarantee), whichever is earlier. The fixed maturity date can be extended by one year in each case within the first ten business days of a year, insofar as incongruities between the residual term of the guarantee contracts and the collateralised claims exist. The extension option was utilised for the first time in 2020.

(4) Development of the Guaranteed Portfolio as at 30 June 2020

The performance in the reporting period of the hedged assets and liabilities and of the guarantee amount formed as a hedging derivative is presented below per guarantee. It is subdivided according to balance sheet items and valuation approach, and also by the off-balance-sheet transactions and, for the IFRS 9 risk provisioning formed on the assets of the portfolios, by impairment level. The fair values of the derivatives listed form the anticipated and realised guarantee payments of the guarantor as well as future guarantee fee payments. The fair value of the derivatives contains all valuation-relevant changes that refer back to the hedged risks, in particular, credit default risks.

The **non performing loans portfolio** in the Ship Customers/Maritime Industries Customers segment is hedged as at 30 June 2020 at a net carrying amount of € 459 million (€ 873 million) (of which € 126 million (€ 253 million) is measured at fair value) plus € 6 million (€ 13 million) of contingent liabilities. The hedged net carrying amount contains a level 3 risk provision of € 431 million (€ 669 million) for the receivables valued at amortised cost.

The fair value of the derivatives totalling € -28 million (€ -2 million) is influenced as at the balance sheet date by hedged guarantee commissions in the amount of € -7 million (€ -2 million).

(in € million)	Ship customers / Maritime industry customers - Hedging Net carrying amount					
	Opening balance 1 Jan. 2020	Changes in stock	Risk provisioning and profit/loss from Financial Instruments at Fair Value through Profit or Loss	Currency translation	Closing balance 30 Jun. 2020	Closing balance 31 Dec. 2019
Assets						
Trading assets - Positive fair values from derivatives	3	–	8	– 1	10	3
Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers	208	– 63	– 29	–	116	208
Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers	1 289	– 524	–	– 1	764	1 289
Risk provisioning - Stage 3	– 669	139	100	– 1	– 431	– 669
Assets held for sale - Financial assets at fair value through profit or loss	42	– 42	–	–	–	42
Total	**873**	**– 490**	**79**	**– 3**	**459**	**873**
Liabilities						
Financial liabilities at amortised cost - Liabilities to customers	7	– 1	–	–	6	7
Provisions in lending business - Stage 3	1	–	– 1	–	–	1
Total	**8**	**– 1**	**– 1**	**–**	**6**	**8**
Contingent liabilities						
Credit commitments	13	– 7	–	–	6	13
Total	**13**	**– 7**	**–**	**–**	**6**	**13**
Net value of the hedged portfolio	**878**	**– 496**	**80**	**– 3**	**459**	**878**
Hedging derivative	**– 2**	**–**	**– 26**	**–**	**– 28**	**– 2**

The **performing loans portfolio** in the Ship Customers/Maritime Industries Customers segment is hedged as at 30 June 2020 at a gross carrying amount of € 1,385 million (€ 1,415 million) (of which € 52 million (€ 53 million) is valued at fair value) plus € 123 million (€ 434 million) of contingent liabilities. The hedged gross carrying amount of the receivables valued at amortised cost included in the performing loans portfolio is offset against a risk provision of levels 1, 2 and 3 in the amount of € 3 million (€ 4 million), € 16 million (€ 14 million) and € 12 million (€ 7 million) respectively.

The fair value of the derivatives totalling € 94 million (€ 29 million) is influenced as at the balance sheet date by hedged guarantee commissions in the amount of € -25 million (€ -11 million).

(in € million)	Ship customers / Maritime industry customers - Hedging Gross carrying amount					
	Opening balance 1 Jan. 2020	Changes in stock	Risk provisioning and profit/loss from Financial Instruments at Fair Value through Profit or Loss	Currency translation	Closing balance 30 Jun. 2020	Closing balance 31 Dec. 2019
Assets						
Trading assets - Loans and advances to customers	17	– 1	–	–	16	17
Trading assets - Positive fair values from derivatives	15	– 1	7	–	21	15
Financial assets mandatorily at fair value through profit or loss - Loans and advances to customers	21	– 6	–	–	15	21
Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers	1 362	– 31	–	2	1 333	1 362
Risk provisioning - Stage 1	– 4	–	1	–	– 3	– 4
Risk provisioning - Stage 2	– 14	–	– 2	–	– 16	– 14
Risk provisioning - Stage 3	– 7	–	– 5	–	– 12	– 7
Total	**1 390**	**– 39**	**1**	**2**	**1 354**	**1 390**
Liabilities						
Trading liabilities - Negative fair values from derivatives	2	–	–	1	3	2
Financial liabilities at amortised cost - Liabilities to customers	1	– 1	–	–	–	1
Provisions in lending business - Stage 1	–	–	1	–	1	–
Total	**3**	**– 1**	**1**	**1**	**4**	**3**
Contingent liabilities						
Credit commitments	312	– 228	–	1	85	312
Financial guarantees	3	–	–	–	3	3
Other Off-balance-sheet liabilities	119	– 84	–	–	35	119
Total	**434**	**– 312**	**–**	**1**	**123**	**434**
Net value of the hedged portfolio	**1 821**	**– 350**	**–**	**2**	**1 473**	**1 821**
Hedging derivative	**29**	**–**	**65**	**–**	**94**	**29**

A **sub-portfolio** in the Aircraft Customers segment is hedged as at 30 June 2020 at a gross carrying amount of € 1,360 million (€ 1,655 million) (of which € 64 million (€ 46 million) is measured at fair value) plus € 37 million (€ 158 million) of contingent liabilities. The hedged gross carrying amount of the receivables valued at amortised cost included in the sub-portfolio is offset, in particular, against a risk provision of levels 1 and 2 in the amount of € 0 million (€ 1 million) and € 1 million (€ 0 million) respectively.

The fair value of the derivatives totalling € -10 million (€ -39 million) is influenced as at the balance sheet date by hedged guarantee commissions in the amount of € -7 million (€ -3 million).

(in € million)	Aircraft customers - Hedging Gross carrying amount Opening balance 1 Jan. 2020	Changes in stock	Risk provisioning and profit/loss from Financial Instruments at Fair Value through Profit or Loss	Currency translation	Closing balance 30 Jun. 2020	Closing balance 31 Dec. 2019
Assets						
Trading assets - Loans and advances to customers	25	–	–	–	25	25
Trading assets - Positive fair values from derivatives	21	– 1	19	–	39	21
Financial assets at amortised cost - Gross carrying amount from Loans and advances to customers	1 609	– 318	–	5	1 296	1 609
Risk provisioning - Stage 1	– 1	–	1	–	–	– 1
Risk provisioning - Stage 2	–	–	– 1	–	– 1	–
Total	**1 654**	**– 319**	**19**	**5**	**1 359**	**1 654**
Liabilities						
Trading liabilities - Negative fair values from derivatives	1	–	– 1	–	–	1
Total	**1**	**–**	**– 1**	**–**	**–**	**1**
Contingent liabilities						
Credit commitments	158	– 121	–	–	37	158
Total	**158**	**– 121**	**–**	**–**	**37**	**158**
Net value of the hedged portfolio	**1 811**	**– 440**	**20**	**5**	**1 396**	**1 811**
Hedging derivative	**– 39**	**–**	**29**	**–**	**– 10**	**– 39**

(5) Adopted IFRS

The accounting policies of the interim financial statements in accordance with IFRS are based in principle on those of the consolidated financial statements as at 31 December 2019. In the reporting period, account was taken of the following amendments to standards applicable to the NORD/LB Group for the first time as at 1 January 2020:

Amendments to IFRS 3 – Definition of a Business

In October 2018, IFRS 3 Business Combinations was amended with respect to how it defines a business. This will not have any effect on NORD/LB's interim consolidated financial statements as no relevant circumstances currently exist.

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

In September 2019, the IASB issued amendments to the standards IFRS 9, IAS 39 and IFRS 7, in order to respond to the potential consequences for financial reporting of interest rate benchmark reform (IBOR reform). Until the interest rate benchmark reform has been completed, reliefs will be provided for the accounting of hedging transactions so that the IBOR reform should not generally cause hedging transactions to be terminated. The NORD/LB Group is utilising the reliefs in order to counteract the consequences of the IBOR reform and to be able to continue its hedging transactions.

Amendments to IAS 1 and IAS 8 – Definition of Materiality

The amendments to IAS 1 and IAS 8, which were published at the end of October 2018, are intended to provide a more precise definition of “materiality” by aligning the definition used in all IFRS and the Conceptual Framework and providing clarifications regarding the definition of “material” and on the topic of “obscuring material information with immaterial information”. In addition, the relevant meaning of the term “users of financial statements” is clarified for these purposes. The new definition of “materiality” is contained in IAS 1, while the previous definition is being replaced in IAS 8 through a reference to IAS 1. This has not had any impact on the interim consolidated financial statements of NORD/LB.

Amendments to References to the Conceptual Framework in IFRS Standards

In conjunction with the 2018 amendments to the IASB's conceptual framework, the IASB statement "Amendments to References to the Conceptual Framework in IFRS Standards" was also released, which amended the references to the conceptual framework in various standards and interpretations. The amendments to be applied as of 1 January 2020 are not expected to have a material impact on the NORD/LB interim consolidated financial statements.

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

Estimates and Discretionary Decisions

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

Within the framework of the evaluation of the silent participations measured at amortised cost, assumptions are to be made with respect to the anticipated cash flows. Due to the contract conditions, payments are not made unless a positive annual result is achieved. This requires estimates that lead to new, expected cash flows. Furthermore, the contractual conditions in the event of the intended extraordinary termination provide for a two-year termination period to the year end with the redemption of the HGB carrying amount of the silent participations as at 31 December 2022. The expected cash flows must also take account of the fact that due to the COVID-19 pandemic the balance sheet loss in accordance with HGB anticipated in the forecast will lead to a depreciation of the carrying amounts of the silent participation. This loss participation in previous years and expected in 2020 will be largely compensated for in the two subsequent years by planned annual surpluses and an appreciation mechanism that differs from the depreciation one, such that in total as at 30 June 2020 an positive earnings effect will result from the adjustment to the cash value as at 30 June 2020 in the amount of approx. € 37 million including effective interest accumulated in H1 2020. As part of the regular planning process which takes place in the third and fourth quarters and after the adjustment of the planned value in the current forecast for 2020, we consider that an adjustment of the planned values for subsequent years will be likely.

(6) Restatement of Previous Year’s Figures

Due to an incorrect calculation within the expert actuarial report to determine the benefit provision, the benefit obligations for financial years 2017 and 2018 contained in the pension provisions of the NORD/LB Group were too high.

Due to this and with respect to previous year's figures in the consolidated financial statements as at 31 December 2019, a correction had to be made in reported pension provisions of around € -8 million (1 January 2018: € 6 million) with a corresponding balancing posting in the cumulative other comprehensive income. After the adjustment of the previous year's figure in the consolidated financial statements as at 31 December 2019, the previous year's figure for the cumulated other comprehensive income in these interim consolidated financial statements must also be adjusted. Within the statement of comprehensive income for the first half of 2019, - the revaluation of the net liability from defined benefit pension plans increased by € 2 million from € -359 million to € -357 million, other comprehensive income (OCI) by € 2 million from € -182 million to € -180 million and total comprehensive income for the period increased by € 2 million from € -33 million to € -31 million, while the correction has no impact on the income statement figures for the first half of 2019.

In Note(34) Related parties, a correction was made to the previous year's figures with respect to other income and expenses with related parties, as the corresponding transactions could not be included in full in the previous year. A corresponding adjustment of the previous year's figures in the consolidated financial statements as at 31 December 2019 also took place in this context.

(7) Basis of Consolidation

Compared with 31 December 2019, these interim consolidated financial statements include not only NORD/LB as parent, but also 19 (19) subsidiaries in which NORD/LB directly or indirectly holds more than 50 per cent of the voting rights or over which NORD/LB can exercise a controlling influence in another manner. In addition, 7 (7) joint ventures and 1 (1) affiliated company are recognised.

Information on the subsidiaries, joint ventures and affiliated companies included in the interim consolidated financial statements can be found in Note(35) Basis of Consolidation.

Segment Reporting

Segment reporting provides information on the Group’s operational fields of activity. The segment reporting below is based on IFRS 8 Operating Segments in accordance with the management approach. The segment information is presented in accordance with IFRS on the basis of internal reporting the way it is regularly reported internally for performance assessment and for decisions on the allocation of resources to the segments. The total risk exposure amount was recognised uniformly for the business segments and the Group, shown pursuant to CRR/CRD IV as at the financial reporting date. As at January 1, 2020, both the former Private and Business Customers and Savings Bank Network Customers segments were combined to form the new Private and Business Customers and Savings Bank Network Customers segment and the former Energy and Infrastructure Customers and Aircraft Customers segments were combined to form the Special Finance segment. In addition, the former segment Group Controlling / Other was renamed Treasury / Consolidation / Other. In addition, portfolios from the supra-regional municipal business in the amount of €1.2 billion (former Savings Bank Network Customers segment) and the housing industry in the amount of €2.8 billion, bilateral agricultural customers in the amount of €0.1 billion and other corporate customers in the amount of €1.4 billion (all former Corporate Customers segment) were transferred to the newly formed Strategic Portfolio Optimization segment as of the reporting date.

Segment Reporting by Business Segment

The segments are defined as customer or product groups which reflect the organisational structures and thus the internal control of the Group. Internal determinations of the Group companies serve as the basis for the values posted in segment reporting. Internal control focuses on the earnings before taxes of the operational units.

The key criterion for forming segments is the greatest possible homogeneity of the customers aggregated there with respect to financing and investment needs as well as the requested range of products. There are no discernible dependencies on individual customers. The product ranges offered in the segments are described in the following notes. The income generated from them is presented in the following segment reporting. The product range offered comprises traditional credit and syndicate business, savings and checking products, securities, foreign exchange and derivative transactions, complex structured finance solutions, private banking products, liquidity and risk management, as well as services such as account management, payment transactions, securities trading, brokerage activities, documentary business, credit processing, sureties, guarantees and advisory services for asset management.

Net interest income generated by the individual segments is calculated based on the market interest rate method. In doing so, the contribution from interest terms for each customer transaction is determined by comparing the customer terms with the structurally congruent market rate for a notional offsetting transaction applicable at the time they were concluded. This market interest rate is also used as the cost rate for the balancing provision in Treasury. As a result, there is no gross recognition of interest income and interest expenses. The financing income from committed equity is distributed across market segments.

Within the Group, every interest-bearing customer transaction is applied to the balancing provision held by the Treasury as the central cash management unit. There are no direct business relationships among market divisions within the Group. For this reason, no inter-segment earnings are recognised in internal reporting.

Segment expenses comprise primary expenses, expenses allocated on the basis of cost and service charging, and distributed overhead costs. Risk provisioning is allocated to the segments according to actual costs incurred.

Overall bank profit and loss, such as profit/loss from hedge accounting and the disposal profit/loss from financial instruments not measured at fair value through profit or loss, are not allocated to the Group's operational business fields, but rather to the "Treasury/Consolidation" segment.

In addition to the profit and loss account figures, the attributable total risk exposure amount, segment assets and liabilities, committed capital and the key figures of cost-income ratio (CIR), Return on Risk adjusted Capital (RoRaC) and Return-on-Equity (RoE) are also presented in the segment report. The total risk exposure amounts pursuant to CRR/CRD IV will be reported as at the financial reporting date. The cost-income ratio is defined as the ratio of administrative expenses to the sum of the following types of income: Net interest income, Net commission income, Profit/loss from the fair value measurement, Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, Profit/loss from hedge accounting, Profit/loss from investments accounted for using the equity method and Other operating profit/loss.

The calculation of the RoRaC in the segments relates the earnings contribution before taxes to the committed capital.

Committed capital in the segments is calculated on the basis of average annual values. The amount of the reconciliation between the committed capital recognised in the segments and the long-term equity under commercial law at company level is included in the reconciliation segment. A transfer from long-term equity under commercial law to balance sheet equity is presented separately at the end of the segment overview.

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

Private and Commercial Customers and Savings Banks Network Customers

The segment comprises the sub-segments Private and Commercial Customers and Savings Banks Network Customers.

Private and Commercial Customers includes the areas of private banking and commercial customers, corporate retail customers, branch advisory customers, and service customers in the business areas of Braunschweigische Landessparkasse (BLSK) and the locations in Hanover, Hamburg, Bremen and Oldenburg. Braunschweigische Landessparkasse is the savings bank of the city of Braunschweig and the parts of the former Duchy of Brunswick (Braunschweig) which now belong to the current Federal State of Lower Saxony. It acts as an institution with partial legal capacity within NORD/LB. BLSK's range of products and services is based on the financial concepts of the customer-segment-specific savings banks, including the range of products offered by Öffentliche Versicherung Braunschweig insurance company.

The Savings Bank Network Customers segment serves the savings banks in the states of Lower Saxony, Saxony-Anhalt and Mecklenburg-Western Pomerania (publicly-owned savings banks/network savings banks) and in Schleswig-Holstein and Brandenburg (extended network). Furthermore, all corporate customers that are managed in cooperation/liaison with the savings banks and located within this network region with external turnover between € 20 and 250 million, those located within the extended network region with external turnover up to € 50 million, syndicate transactions within the network region with external turnover up to € 500 million, syndicate transactions within the extended network with external turnover up to € 50 million, and local authorities (across Germany) are assigned to this segment. In order to ensure a strong regional image and proximity to customers, customers are managed at the locations in Hanover, Bremen, Oldenburg, Braunschweig, Magdeburg and Schwerin. From the perspective of the Landesbank, the Sparkassen (savings banks) in the savings banks network business have three roles: They are owners, customers and a point of access to a broad market of customers. NORD/LB acts here as a market partner for savings banks of the owner states and is responsible for providing the clearing house function to its owners.

Corporate Customers

The Corporate Customers segment, which is active all over Germany, includes the upper medium-sized corporate customer business and the areas Agrar Banking & Health Care Real Estate (formerly community-interest property) of the NORD/LB Group (excluding corporate customers in the Private and Commercial Customers segment/Savings Banks Network Customers):

- As a partner for corporate customers in Germany and its neighbouring countries
- With a focus on three core regions: North, Central and South
- With customers from selected industries

The main goal is to achieve core bank status for its customers.

Furthermore, the Corporate Customers business segment also includes the financing of corporate acquisitions by private equity companies.

Markets

The focus of the Markets segment is the sale of capital market products and products related to the capital market to institutional customers. This customer group includes insurance companies, asset managers, investment management companies, banks and savings/regional banks, central banks, pension funds and institutions, the German federal government and the individual federal state governments as well as social insurance funds. Furthermore, the Markets segment’s activities include customers for capital market products in the areas of corporate customers, aircraft customers, commercial real estate financing, energy and infrastructure customers, and customers in the savings banks network.

As part of the wholesale business for savings banks and regional banks, the Market segment’s team sells the full range of fixed-income products and services (incl. asset management products and the lending alternative business). For the securities business at savings banks, Markets offers a consistently wide range of retail products with and without application phases and individual customer private placements.

In terms of the capital market business, the focus is on interest, credit, money market and foreign currency products as well as structured products. Business activities in this area concentrate primarily on the interest segment. Furthermore, capital-market-related products, such as corporate promissory notes or alternative investment products are also sold to the aforementioned customer groups as required. In addition to the sales business for institutional clients, the Markets segment also offers classic trading services (market access for customers in the product groups of interest, foreign currency and their derivatives).

One of the priority areas for activities in the Markets segment is the expansion of the debt capital market business (particularly primary market issuances by foreign issuers).

Specialised Finance Customers

The Specialised Finance Customers segment comprises the sub-segments Energy and Infrastructure Customers and Aviation Finance & Investment Solutions.

The central locations for Energy and Infrastructure are Hanover, London and Oldenburg. Customers are also managed at the New York and Singapore offices. In this part of the Specialised Finance Customers segment, the focus is on structuring and arranging bespoke, individual financing solutions, mainly for project-related transactions. In the Energy sector, financing relates mostly to new construction and capacity expansions of wind and photovoltaic plants. The focus of the infrastructure business is on the sectors Public buildings, Economic infrastructure and Rail-based transportation. At the heart of this is the development of customer relationships with sustainable earning structures and acceptable risks within the existing limits.

The Aviation Finance & Investment Solutions sector encompasses primarily asset-based aircraft financing and is based mainly at the Hanover location with additional sales staff in Singapore and New York. The long-standing expertise in this asset class and the ability to develop bespoke and innovative, commercial financing solutions for customers form the basis for the Aircraft Customer segment's position on the market. Financing products are complemented by an extensive range of additional services (e.g. promissory notes, derivatives, etc.), which enable NORD/LB to offer its customers comprehensive solutions from a single source. In addition, alternative investment products are offered (credit asset management).

Real Estate Banking Customers

NORD/LB's and Deutsche Hypothekenbank's definition of real estate finance relates mainly to financing regardless of the collateral for customers who generate the majority of their cash flow from real estate or who regularly make major real estate investments. These customers include, in particular, institutional investors, open and closed real estate funds, real estate companies/REITs, asset managers, leasing companies, financial investors, professional private investors, developers, and affiliated companies. In the area of commercial real estate financing, the business focus is on financing residential buildings for rental purposes and offices or retail units. These are regarded as fungible investment properties as they can normally be rented or can be rented on a long-term basis. The NORD/LB Group also finances commercial property in the segments of hotels, logistics and multi-purpose properties.

Business activities focus on the key markets of Germany, France, the United Kingdom, Benelux, Poland and Spain.

Strategic Portfolio Optimization

In this segment, the non-strategic portfolios and business fields are bundled and presented. In addition to the continuous reduction of the ship portfolio, this segment is currently responsible for and actively manages the reduction of portfolios in the nationwide municipal business (formerly savings banks network customers segment), housing industry, bilateral agricultural customers and other corporate customers (all formerly corporate customers segment).

Treasury/Consolidation/Other

All integrated components are directly linked to operational business activity. Staff units, parts of the Group not covered by the segmentation described above, sources of income for the Bank as a whole and consolidations are carried under Group Controlling/Others.

In detail, this category comprises in particular overall Bank income from investment and financing income (from investment positions among others) not assigned to the segments due to lack of controllability, unallocated residual service centre costs, overall Bank projects, profit/loss from financial instruments not recognised in the segments' business income (in particular from central measurement effects), profit/loss from shares in companies, hedge accounting, other investments, consolidation items and restructuring and reorganisation expenses. Furthermore, parts of the other operating profit/loss such as bank levies and the expenses for the deposit guarantee scheme of the savings banks are allocated to this segment.

The Treasury divisions also recognised here take central responsibility for managing interest-rate, exchange-rate and liquidity risks together with funding, and they provide access to national and international financial markets. For funding and liquidity management during the year, the Treasury divisions use the interbank and repo market as well as the various instruments of the European Central

Bank. The funding mix is supplemented by new issues business in euros and US dollars. Additional investments are made in the banking book as part of overall bank control and management of the total risk exposure amount. The portfolios are managed by the NORD/LB Group's One Bank Asset Liability Committee (One Bank ALCO).

Reconciliations

The reconciliation items from internal accounting to the consolidated overall figures for the income statement are shown here. It also includes reclassifications of profit and loss items that are recognised differently in the internal management system compared with the external reporting.

(8) Segment Reporting by Business Segment

1 Jan. - 30 Jun. 2020 (in € million)	Private and Commercial Customers & Savings Bank Network Division	Corporate Customers	Markets	Specialised Finance	Real Estate Banking Customers	Strategic Portfolio Optimization	Treasury / Consolidation / Others	Reconciliations	NORD/LB Group
Net interest income	97	146	53	107	84	28	29	– 2	543
Net commission income	40	18	19	2	2	– 80	– 15	– 13	– 27
Profit/loss from financial instruments at fair value	– 4	2	– 9	7	– 1	83	149	– 87	140
Risk provisioning	– 31	– 4	–	– 39	– 15	4	3	– 18	– 99
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	–	–	–	–	–	–	– 14	–	– 14
Profit/loss from hedge accounting	–	–	–	–	–	–	17	–	17
Profit/loss from shares in companies	–	–	–	–	–	–	– 6	–	– 6
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	5	–	7
Administrative expenses	120	84	54	79	30	6	77	11	462
Other operating profit/loss	– 5	–	1	1	1	–	– 55	– 9	– 68
Earnings before restructuring, transformation and taxes	**– 21**	**78**	**10**	**– 1**	**41**	**29**	**35**	**– 140**	**31**
Profit/loss from restructuring and transformation	–	–	–	–	–	–	25	–	25
Earnings before taxes	**– 21**	**78**	**10**	**– 1**	**41**	**29**	**10**	**– 140**	**6**
Income taxes	–	–	–	–	–	–	–	2	2
Consolidated profit/loss	**– 21**	**78**	**10**	**– 1**	**41**	**29**	**10**	**– 142**	**4**
Segment assets	23 690	17 534	10 187	19 738	12 690	9 034	40 021	633	133 527
of which: investments at equity	44	–	–	–	–	–	105	–	149
Segment liabilities	11 349	5 174	33 379	2 721	158	1 839	77 209	1 698	133 527
Total risk exposure amount	5 250	11 199	3 184	8 541	5 533	1 623	1 445	4 817	41 592
Capital employed[1]	376	860	229	637	404	83	699	3 266	6 554
CIR	92.7%	50.6%	85.1%	67.7%	34.5%	19.8%			77.2%
RoRaC/RoE[2]	-5.7%	9.1%	4.1%	-0.2%	10.3%	34.0%			0.2%

1 Jan. - 30 Jun. 2019 (in € million)	Private and Commercial Customers & Savings Bank Network Division	Corporate Customers	Markets	Specialised Finance	Real Estate Banking Customers	Strategic Portfolio Optimization	Treasury / Consolidation / Others	Reconciliations	NORD/LB Group
Net interest income	109	172	52	124	90	10	60	– 121	496
Net commission income	37	22	12	17	3	35	– 63	– 14	49
Profit/loss from financial instruments at fair value	– 5	– 2	8	– 5	4	– 2	57	139	194
Risk provisioning	5	– 31	–	3	– 2	57	– 5	– 28	– 1
Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss	–	–	–	–	–	–	– 10	–	– 10
Profit/loss from hedge accounting	–	–	–	–	–	–	14	–	14
Profit/loss from shares in companies	–	–	–	–	–	–	13	1	14
Profit/loss from investments accounted for using the equity method	2	–	–	–	–	–	18	–	20
Administrative expenses	114	94	57	65	30	31	90	8	489
Other operating profit/loss	– 3	–	1	1	1	–	– 44	5	– 39
Earnings before restructuring, transformation and taxes	**31**	**68**	**17**	**75**	**67**	**70**	**– 50**	**– 27**	**251**
Profit/loss from restructuring and transformation	–	–	–	–	–	–	71	–	71
Earnings before taxes	**31**	**68**	**17**	**75**	**67**	**70**	**– 121**	**– 27**	**180**
Income taxes	–	–	–	–	–	–	–	31	31
Consolidated profit/loss	**31**	**68**	**17**	**75**	**67**	**70**	**– 121**	**– 58**	**149**
Segment assets 31 Dec. 2018	25 391	23 785	13 401	19 899	13 195	4 273	39 895	– 219	139 619
of which: investments at equity	44	–	–	–	–	–	103	–	147
Segment liabilities 31 Dec. 2018	11 020	5 023	35 603	3 144	153	815	83 310	550	139 619
Total risk exposure amount 30 Jun 2018	5 165	13 261	3 872	9 854	5 602	2 756	698	3 260	44 468
Capital employed 30 Jun. 2018[1]	367	938	274	692	385	208	535	383	3 783
CIR	81.4%	48.9%	76.8%	47.3%	29.9%	71.6%			67.2%
RoRaC/RoE[2]	8.4%	7.2%	6.3%	10.2%	17.4%	33.5%			9.5%

[1] Reconciliation of long-term equity under commercial law to reported equity:

(in € million)	30 Jun. 2020	31 Dec. 2019	30 Jun. 2019
Long-term equity under commercial law	6 554	6 638	3 783
Other comprehensive income	– 620	– 730	– 589
Earnings after taxes	4	– 69	149
Reported equity	**5 939**	**5 838**	**3 343**

For key figures as of 30 June 2019, the corresponding reporting date values are used.

[2] RoRaC at the business level:
Earnings before taxes/committed capital.
RoE at the company level:
Earnings before taxes/long-term equity under commercial law (see table above).

Due to the presentation in million €, the reproduction of mathematical operations in these tables can lead to minor differences.

Notes to the Income Statement

(9) Net Interest Income

The interest income and interest expenses items include paid and received interest, accrued interest and pro rata reversals of premiums and discounts on financial instruments. Due to the fact that silent participations are to be classified as debt under IAS 32 under certain circumstances, the corresponding expenses and earnings are likewise recognised in Net interest income.

	1 Jan. - 30. Jun. 2020 (in € million)	1 Jan. - 30. Jun. 2019 (in € million)	Change (in %)
Interest income from assets			
Interest income from financial assets at fair value through profit or loss			
Interest income from trading assets	1 082	1 189	– 9
of which: from trading and hedge accounting derivatives	*1 036*	*1 148*	*– 10*
of which: from debt securities and other fixed interest securities	*6*	*4*	*50*
of which: from loans and advances	*40*	*37*	*8*
Interest income from financial instruments mandatorily at fair value through profit or loss	19	38	– 50
of which: from debt securities and other fixed interest securities	*6*	*11*	*– 45*
of which: from loans and advances	*13*	*27*	*– 52*
	1 101	**1 227**	**– 10**
Interest income from financial assets at fair value through other comprehensive income			
Interest income from debt securities and other fixed interest securities	83	100	– 17
Interest income from loans and advances	12	20	– 40
	95	**120**	**– 21**
Interest income from financial assets measured at amortised cost			
Interest income from debt securities and other fixed interest securities	52	57	– 9
Interest income from loans and advances	959	1 119	– 14
Interest income from impaired debt securities and other fixed interest securities as well as loans and advances	10	27	– 63
	1 021	**1 203**	**– 15**
Dividend income	**– 3**	**6**	
Other interest income and similar income			
Interest income from hedge accounting amortisations	197	200	–
Other interest income and similar income	48	24	–
	245	**224**	**–**
	2 459	**2 780**	**– 12**

	1 Jan. - 30. Jun. 2020 (in € million)	1 Jan. - 30. Jun. 2019 (in € million)	Change (in %)
Interest expenses from assets	**29**	**26**	**12**
Interest expenses from liabilities			
Interest expenses from financial labilities at fair value through profit or loss			
Interest expenses from trading liabilities	1 032	1 185	– 13
of which: from trading and hedge accounting derivatives	*1 032*	*1 185*	*– 13*
Interest expenses from financial labilities designated at fair value through profit or loss	70	77	– 9
of which: from deposits	*49*	*53*	*– 8*
of which: from securitised liabilities	*21*	*24*	*– 13*
	1 102	**1 262**	**– 13**
Interest expenses from financial liabilities measured at amortised cost			
Interest expenses from deposits	486	618	– 21
Interest expenses from securitised liabilities	149	171	– 13
	635	**789**	**– 20**
Other interest expenses and similar expenses			
Interest expenses from hedge accounting amortisations	169	221	–
Other interest expenses and similar expenses	23	43	–
	192	**264**	– 27
	1 929	**2 315**	**– 17**
Interest income from financial liabilities	**42**	**57**	**– 26**
Total	**543**	**496**	**9**

The Interest expenses from assets and the Interest income from liabilities refer essentially to the Group's lending and money market transactions.

(10) Net Commission Income

	1 Jan. - 30. Jun. 2020 (in € million)	1 Jan. - 30. Jun. 2019 (in € million)	Change (in %)
Commission income			
Lending and guarantee business	35	77	– 55
Account management and payment transactions	22	23	– 4
Trust activities	1	1	–
Security transactions and custody service	27	22	23
Brokerage business	18	12	50
Other commission income	4	4	–
	107	**139**	**– 23**
Commission expenses			
Lending and guarantee business	120	73	64
Account management and payment transactions	1	1	–
Security transactions and custody service	6	8	– 25
Brokerage business	2	4	– 50
Other commission income	5	3	67
	134	**89**	**51**
Total	**– 27**	**50**	**> 100**

The commission expenses include commissions in the amount of € 95 million (€ 16 million) for the guarantees granted by the state of Lower Saxony to hedge the loss risks of certain credit portfolios (see Note (3) Explanation of the accounting-related impact of the guarantee contracts from the support contract).

(11) Profit/Loss from Financial Instruments at Fair Value through Profit or Loss

	1 Jan. - 30 Jun. 2020 (in € million)	1 Jan. - 30 Jun. 2019 (in € million)	Change (in %)
Trading result			
Profit/loss from derivatives		182	– 100
Interest-rate risks	– 9	141	> 100
Currency risks	29	15	93
Share-price and other price risks	– 1	– 10	– 90
Credit derivatives	83	36	> 100
	102	**182**	**– 44**
Profit/loss from debt securities and other fixed interest securities	60	67	– 10
Profit/loss from receivables held for trading	96	160	– 40
Profit/loss from short sales	–	– 3	– 100
Other trading result	–	– 1	– 100
	258	**405**	**– 36**
Profit/loss from financial assets at fair value through profit or loss			
Profit/loss from equity instruments	– 1	8	> 100
Profit/loss from debt securities and other fixed interest securities	– 14	39	> 100
Profit/loss from receivables	– 16	12	> 100
	– 31	**59**	**> 100**
Profit/loss from designated financial liabilities at fair value through profit or loss			
Profit/loss from deposits	– 113	– 259	– 56
Profit/loss from securitised liabilties	1	– 32	> 100
	– 112	**– 291**	**– 62**
Foreign exchange result	**25**	**22**	**14**
Total	**140**	**195**	**– 28**

(12) Risk Provisioning

	1 Jan. - 30 Jun. 2020 (in € million)	1 Jan. - 30 Jun. 2019 (in € million)	Change (in %)
Risk provisioning of financial assets at fair value through other comprehensive income			
Income from the reversal of risk provisioning for			
Debt securities and other fixed interest securities	–	1	– 100
	–	**1**	**– 100**
Expenses from allocations to risk provisions for			
Debt securities and other fixed interest securities	1	1	–
	1	**1**	**–**
	– 1	**–**	**–**
Risk provisionig of financial assets at amortised cost			
Income from the reversal of risk provisioning for			
Debt securities and other fixed interest securities	–	1	– 100
Loans and advances	235	505	– 53
	235	**506**	**– 54**
Expenses from allocations to risk provisions for			
Debt securities and other fixed interest securities	2	1	100
Loans and advances	330	359	– 8
	332	**360**	**– 8**
	– 97	**146**	**> 100**
Provisions in lending business			
Income from the reversal	46	20	> 100
Expenses from allocation	43	50	– 14
	3	**– 30**	**> 100**
Recoveries of receivables written off	**18**	**22**	**– 18**
Direct write-offs	**23**	**141**	**– 84**
Modification results	**1**	**2**	**– 50**
Total	**– 99**	**– 1**	**> 100**

The consequences of the COVID-19 pandemic had not yet been felt in the risk provisioning of the NORD/LB Group as at 30 June 2020. For this reason, the Managing Board of the Bank decided to form a management adjustment (MAC-19) in the amount of € 100 million for the performing loans in accordance with IFRS 9, to quickly anticipate the expected impact on risk provisioning according to IFRS in the consolidated financial statements for 2020. Further information on the impact of the COVID-19 pandemic is set out under Note (2) Impact of the coronavirus crisis.

(13) Disposal Profit/Loss from Financial Instruments that are not measured at Fair Value through Profit or Loss

	1 Jan.-30 Jun. 2020 (in € million)	1 Jan.-30 Jun. 2019 (in € million)	Change (in %)
Disposal profit/loss from financial assets at fair value through other comprehensive income			
Disposal profit/los of			
of which: Debt securities and other fixed interest securities	*–*	*2*	*– 100*
	–	**2**	**– 100**
Disposal profit/loss from financial assets at amortised cost			
Disposal profit/los of			
of which: Debt securities and other fixed interest securities	*– 4*	*–*	*–*
of which: Loans and advances	*– 3*	*– 1*	*> 100*
	– 7	**– 1**	**> 100**
Disposal profit/loss from financial liabilities at amortised cost			
Disposal profit/los of			
of which: Deposits	*– 2*	*– 10*	*– 80*
of which: Securitised liabilities	*– 5*	*– 1*	*> 100*
	– 7	**– 11**	**– 36**
Total	**– 14**	**– 10**	**40**

(14) 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 fair value hedges.

	1 Jan. - 30 Jun. 2020 (in € million)	1 Jan. - 30 Jun. 2019 (in € million)	Change (in %)
Profit/loss from micro fair value hedges			
from hedged items	221	229	– 3
from derivatives designated as hedging instruments	– 210	– 216	– 3
	11	**13**	**– 15**
Profit/loss from portfolio fair value hedges			
from hedged items	–	– 279	– 100
from derivatives designated as hedging instruments	6	280	– 98
	6	**1**	**> 100**
Total	**17**	**14**	**21**

(15) Administrative Expenses

	1 Jan.-30 Jun. 2020 (in € million)	1 Jan.-30 Jun. 2019 (in € million)	Change (in %)
Staff expenses	250	266	– 6
Other administrative expenses	179	189	– 5
Current depreciation	33	32	3
Total	**462**	**487**	**– 5**

(16) Other Operating Profit/Loss

	1 Jan.-30 Jun. 2020 (in € million)	1 Jan.-30 Jun. 2019 (in € million)	Change (in %)
Other operating income			
Income from the reversal of provisions	1	10	– 90
Income from the chartering of vessels related to restructuring lending commitments	–	5	– 100
Rental income from investment property	5	5	–
Income from the disposal of non-financial assets	1	–	–
Reimbursements	3	2	50
Other operating income	13	23	– 43
	23	**45**	**– 49**
Other operating expenses			
Expenses from bank levy	77	74	4
Expenses from impairment losses on non-financial assets	–	2	– 100
Expenses for the achievement of charter revenues from vessels	–	3	– 100
Expenses from Investment property	1	1	–
Other taxes	1	4	– 75
Other operating expenses	12	–	–
	91	**84**	**8**
Total	**– 68**	**– 39**	**74**

(17) Profit/loss from restructuring and transformation

As of reporting year 2020, the items Restructuring result and Reorganisation expenses will be combined in the Profit/loss from restructuring and transformation. This gives consideration to the fact that the reorganisation programme One Bank has been transferred to the much more comprehensive, centrally managed transformation programme, NORD/LB 2024, with which the strategic and organisational transformation of the Group is being performed. The Profit/loss from restructuring and transformation includes the expenses of the NORD/LB 2024 transformation program as the successor project to the One Bank program, totalling € 25 million (€ 71 million). The NORD/LB 2024 targets lead to a fundamental restructuring of the Group and are to be implemented by the end of 2023. The associated expenses are not to be assigned to the operating business activities of the NORD/LB Group, but are to be shown separately due to their significance and their extraordinary non-recurring nature. These include consultancy services for strategy, implementation, IT and legal consultancy.

(18) Income Taxes

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

Notes to the Balance Sheet

(19) Financial Asstes at Fair Value through Profit or Loss

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Trading assets			
Positive fair values from derivatives			
Interest-rate risks	4 751	4 222	13
Currency risks	414	321	29
Share-price and other price risks	1	1	–
Credit derivatives	109	53	> 100
	5 275	**4 597**	**15**
Debt-securities and other fixed-interest securities	1 845	1 666	11
Loans and advances to customers	532	582	– 9
Registered securities	2 182	2 514	– 13
	9 834	**9 359**	**5**
Financial assets mandatorily at fair value through profit or loss			
Equity instruments	19	21	– 10
Debt-securities and other fixed-interest securities	1 011	1 193	– 15
Loans and advances to banks	56	63	– 11
Loans and advances to customers	387	491	– 21
	1 473	**1 768**	**– 17**
Total	**11 307**	**11 127**	**2**

The credit derivatives shown under trading assets contain the guarantees received from the state of Lower Saxony within the framework of strengthening the capital of NORD/LB for specific portfolios of the Ship Customers/Maritime Industries Customers and Aircraft Customers segments. These guarantees are to be formed as credit derivatives according to the IFRS and have a carrying amount as at the reporting date of € 94 million (€ 29 million).

(20) Financial Assets at Fair Value through other Comprehensive Income

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Debt-securities and other fixed-interest securities	15 084	15 759	– 4
Loans and advances to banks	546	652	– 16
Loans and advances to customers	653	774	– 16
Total	**16 283**	**17 185**	**– 5**

The development in the risk provisioning recognised in other comprehensive income (OCI) related to this item is presented under Note(30) Risk provisioning and gross carrying amount.

(21) Financial Assets at Amortised Costs

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Debt securities and other fixed interest securities	4 160	4 180	–
Loans and advances to banks	15 208	19 986	– 24
Loans and advances to customers	75 609	80 049	– 6
Total	**94 977**	**104 215**	**– 9**

The change in the risk provisioning contained in the item is presented under Note (30) Risk provisioning and gross carrying amount.

(22) Shares in Companies

The balance sheet item Shares in companies includes all shares in companies which are not accounted for in accordance with IFRS 10, IFRS 11 or IAS 28 but measured in accordance with IFRS 9.

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Subsidiaries	18	25	–
Joint Ventures	7	7	–
Associated companies	39	39	–
Other shares in companies	272	281	– 3
Total	**336**	**352**	**– 5**

(23) Property and Equipment

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Land and buildings	210	213	– 1
Operating and office equipment	36	38	– 5
Other property and equipment	1	1	–
Right-of-use assets from leasing	79	87	– 9
Total	**326**	**339**	– 4

(24) Intangible Assets

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Software			
Purchased	76	73	4
Internally developed	47	46	2
	123	**119**	**3**
Prepayments and intangible assets under development and preparation	2	13	– 85
Leasing assets			
Leased Software	6	7	– 14
	6	**7**	**– 14**
Total	**131**	**139**	**– 6**

Intangible assets under development refer primarily to internally generated software.

(25) Assets Held for Sale

Assets held for sale in accordance with IFRS 5 break down as follows:

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Financial assets at fair value through profit or loss	–	42	– 100
Financial assets at amortised costs	–	18	– 100
Property and equipment	–	1	– 100
Investment property	20	20	–
Total	**20**	**81**	**– 75**

As at 31 December 2019, receivables arising from ship finance totalling € 60 million were recognised for the first time under Assets held for sale in the items Financial assets measured at fair value through profit and loss or Financial assets measured at amortised cost. These are assigned to the segment Ship Customers/Maritime Industries Customers. The sale of the receivables was successfully completed by the end of February 2020.

A further property recorded as at 31 December 2019 under Assets held for sale in the item Property and equipment from the segment Treasury/Consolidation was sold in March 2020.

As at the current key date, the item Assets held for sale includes under the item Investment property a commercial property from the Treasury/Consolidation segment, the ownership of which is set to be transferred to the purchaser in the second half of the year.

(26) Financial Liabilities at Fair Value through Profit or Loss

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Trading liabilities			
Negative fair values from derivatives			
Interest-rate risks	3 010	2 735	10
Currency risks	359	492	– 27
Share-price and other price risks	2	1	100
Credit derivatives	43	41	5
	3 414	**3 269**	**4**
Delivery obligations from short-sales	55	62	– 11
	3 469	**3 331**	**4**
Financial liabilities designated at fair value through profit or loss			
Deposits			
Liabilities to banks	292	349	– 16
Liabilities to customers	4 202	4 254	– 1
	4 494	4 603	– 2
Securitised liabilities			
Securitised liabilities	2 872	3 151	– 9
	2 872	3 151	– 9
	7 366	**7 754**	**– 5**
Total	**10 835**	**11 085**	**– 2**

(27) Financial Liabilities at Amortised Costs

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Deposits			
Deposits from banks	6 299	6 037	4
Saving deposits from customers	1 057	1 061	–
Other liabililities	75 795	81 703	– 7
Subordinated liabilities	206	416	– 50
	83 357	**89 217**	**– 7**
Securitised Liabilities			
Covered bonds	10 982	10 779	2
Municipal debentures	3 973	4 026	– 1
Other securitised liabilities	7 985	8 744	– 9
Subordinated securitised liabilities	2 332	2 721	– 14
	25 272	**26 270**	**– 4**
Total	**108 629**	**115 487**	**– 6**

Repurchased debt securities issued by the Bank itself in the amount of € 3,054 million (€ 3,681 million) were deducted directly from securitised liabilities.

The notional volume of issues in the NORD/LB Group totalled € 3,389 million (€ 1,146 million) in the first six months of financial year 2020. Repurchases totalled € 2,077 million (€ 1,724 million), while repayments amounted to € 3,990 million (€ 4,776 million). In addition to original issues, the amount of the issues also includes securities sold again following repurchases. The disclosures reported under securitised liabilities relate to money market instruments and debt securities, and include not only financial liabilities at amortised cost, but also designated financial liabilities at fair value through profit and loss (see Note(26)).

(28) Provisions

The provisions are broken down as follows:

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Provisions for pensions and other obligations	**2 945**	**2 977**	**– 1**
Other provisions			
Provisions for personnel	62	68	– 9
Provisions in lending business	90	94	– 4
Provisions for litigation and recourse risks	22	21	5
Provisions for restructuring measures	487	539	– 10
Other provisions	55	52	6
	716	**774**	**– 7**
Total	**3 661**	**3 751**	**– 2**

The restructuring provisions relate to personnel measures in respect of the One Bank programme initiated in 2017 as well as personnel measures relating to its continuation through the NORD/LB 2024 programme.

Notes to the condensed Cash Flow Statement

For transactions that resulted in gaining or losing control of subsidiaries and other business units in the reporting period, no remuneration (€ 0 million) was paid and no remuneration (€ 206 million) was received in cash and cash equivalents. The assets and liabilities of the subsidiaries over which control was gained or lost during the financial year are as follows:

Assets	Acquisition of control		Loss of control	
(in € million)	30 Jun. 2020	31 Dec. 2019	30 Jun. 2020	31 Dec. 2019
Financial assets at fair value through profit or loss	-	43	-	220
Financial assets at amortised costs	-	-	-	422
Investments accounted for using the equity method	-	-	-	35
Property and equipment	-	-	-	20
Assets held for sale	-	-	-	37
Other assets	-	-	-	1
Total assets	**-**	**43**	**-**	**735**

Liabilities	Acquisition of control		Loss of control	
(in € million)	30 Jun. 2020	31 Dec. 2019	30 Jun. 2020	31 Dec. 2019
Financial liabilities at amortised costs	–	–	–	9
Deferred income taxes	–	–	–	6
Other liabilities	–	–	–	20
Total liabilities	**–**	**–**	**–**	**35**

Other Disclosures

(29) Fair Value Hierarchy

The NORD/LB Group applies the three-stage fair value hierarchy using the Level 1, Level 2 and Level 3 terminology set out in IFRS 13. Alongside IFRS 13, the specific regulations of IDW RS HFA 47 are taken into account for the assessment of the financial instruments at the various levels.

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 resultant fair value of the respective financial instrument is assigned to the lowest level at which the input data has a significant influence on the fair value measurement.

Level 1

Within the fair value hierarchy, 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. If publicly listed market prices or prices actually traded on the OTC market are not available, executable prices from traders and brokers without a transaction as a reference will be used to determine the value used for the measurement. Instruments are allocated to Level 1 if there is an active market for these broker quotes, i.e. the bid-ask spread is low and there are multiple price suppliers with very little difference in their prices. The Level 1 values were adopted for the balance sheet without further adjustment.

If the broker quotations are for (mixed) prices or if the price is determined on an inactive market, the instruments are not assigned to Level 1, rather to Level 2 of the measurement hierarchy if the quotations relate to binding offers, observable prices or market transactions. Likewise, (mixed) prices calculated by price service agencies on the basis of reported prices are to be assigned to Level 2.

Level 1 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, shares in companies as well as other assets and liabilities.

Level 2

If no price quotes on an active market are available, the fair value is calculated using recognised measurement methods or models or through external pricing services, provided that the measurement in such cases makes either full or significant use of observable input data such as spread curves (Level 2). To measure financial instruments in these situations, measurement methods are used that are widely recognised in the market under normal market conditions (e.g. the discounted cash flow method and the Hull & White model for options) and the calculations of which are fundamentally based on inputs available on an active market. One requirement here is that variables which market participants would have taken into account in the pricing are included in the measurement process. Wherever possible, the respective inputs are taken from the 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 market approach is always selected for necessary model parameterisations.

In the case of asset-side securities for which there is no active market and for which market prices can no longer be used for measurement, the fair value for measurement purposes is determined on the basis of discounted cash flows. With the discounted cash flow method, all payments are discounted using the risk-free interest-rate curve adjusted by the credit spread. Spreads are determined based on comparable financial instruments (for example, taking account of the respective market segment and the issuer's credit rating).

The financial instruments at NORD/LB Group to be measured in this way are identified on the basis of individual securities and a subsequent separation into active and inactive markets. Changes in market assessments are consistently included in the measurement. Several divisions within the Group identify, analyse and value financial instruments in inactive markets. This approach makes it possible to assess inactivity in the most objective manner possible. The measurement model for financial instruments assigned to Level 2 is based on term-specific interest rates, the credit rating of the respective issuer and, where applicable, other components, such as foreign currency premiums.

Level 2 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost, hedge accounting derivatives as well as other assets and other liabilities.

Level 3

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

Level-3 procedures are used for portfolios of interest-bearing securities and derivatives for which the market has been classified as inactive or for which significant valuation parameters are not observable on the market. These include:

- Equity-linked structures measured using historical volatilities
- Stock index options, provided that no dividend expectations are observable on the market for the relevant term
- CMS spread options since the ingoing correlation is not directly observable
- Own and third-party issues as well as futures on such issues if the credit/funding spread is not observable on the market.

Furthermore, all loans measured at fair value and loan commitments intended for syndication that are presented as derivatives, are regularly assigned to Level 3. The portfolio guarantees of the state of Lower Saxony which are accounted for as credit derivatives are also assigned to Level 3.

Level 3 financial instruments include trading assets and liabilities, financial assets requiring measurement at fair value through profit or loss, financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial instruments at amortised cost as well as shares in companies.

Fair value calculation

The valuation models used in the NORD/LB Group and the data included are reviewed periodically. The resulting fair values are subject to internal controls and monitoring procedures. These controls and processes are carried out in and coordinated by the Bank Control/Finance and Risk Control divisions.

All relevant factors are taken into account appropriately when determining fair value. These factors include the bid-ask spread, counterparty default risk and business-typical discount rates. In the context of the bid-ask spread, the measurement is generally carried out using the average price or average quote. The financial instruments particularly impacted by this include securities or liabilities whose fair values are based on prices listed on active markets, as well as financial instruments, such as OTC derivatives, whose fair values are determined using a measurement method and for which the average quote is an observable input in the measurement method.

No listed prices are generally available for OTC market derivatives; their fair values are therefore determined using other measurement methods. The measurement is first carried out using cash flow models without taking account of the credit default risk. The measurement adjustment on the basis of the counterparty default risk (credit value adjustment (CVA)/debit value adjustment (DVA)) is calculated on the basis of the net risk position pursuant to IFRS 13.48. The calculation is based on simulated future market values and, if available, market-implied input data.

The NORD/LB Group measures secured OTC derivatives primarily in accordance with the current market standard of overnight index swap discounting (OIS discounting). This means that secured derivatives are now discounted using the OIS interest-rate curve rather than the term-specific interest rate. Unsecured derivatives continue to be discounted using the term-specific interest rate to establish their fair value. The measurement of unsecured derivative positions also takes account of a funding valuation adjustment (FVA), which represents the market-implied funding costs.

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

	30 Jun. 2020					
(in € million)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	**6 823**	**–**	**–**	**6 823**	**6 823**	**–**
Trading assets	**318**	**7 577**	**1 939**	**9 834**	**9 834**	**–**
Positive fair values from derivatives	–	5 178	97	5 275	5 275	–
Interest-rate risks	–	4 748	3	4 751	4 751	–
Currency risks	–	414	–	414	414	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	15	94	109	109	–
Debt-securities and other fixed-interest securities	311	1 349	185	1 845	1 845	–
Loans and advances	7	1 050	1 657	2 714	2 714	–
Financial assets mandatorily at fair value through profit or loss	**773**	**424**	**276**	**1 473**	**1 473**	**–**
Equity instruments	19	–	–	19	19	–
Debt-securities and other fixed-interest securities	754	236	21	1 011	1 011	–
Loans and advances	–	188	255	443	443	–
Financial assets at fair value through other comrehensive income	**5 025**	**9 958**	**1 300**	**16 283**	**16 283**	**–**
Debt-securities and other fixed-interest securities	5 025	9 958	101	15 084	15 084	–
Loans and advances	–	–	1 199	1 199	1 199	–
Financial assets at amortised cost	**886**	**6 670**	**90 574**	**98 130**	**94 977**	**3 153**
Debt-securities and other fixed-interest securities	331	3 745	1	4 077	4 160	– 83
Loans and advances	555	2 925	90 573	94 053	90 817	3 236
Positive fair values from hedge accounting derivatives	**–**	**869**	**–**	**869**	**869**	**–**
Positive fair values from allocated micro fair value hedge derivatives	–	820	–	820	820	–
Interest-rate risks	–	778	–	778	778	–
Currency risks	–	42	–	42	42	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	49	–	49	49	–
Interest-rate risks	–	49	–	49	49	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	**–**	**–**	**–**	**–**[1]	**474**	**– 474**
Shares in companies	**19**	**–**	**317**	**336**	**336**	**–**
Other assets (only financial instruments) measured at fair value	**533**	**106**	**–**	**639**	**639**	**–**
Total	**14 377**	**25 604**	**94 406**	**134 387**	**131 708**	**2 679**

[1] Contributions relating to the assets item Balancing items for financial instruments hedged in the portfolio fair value hedge are shown in the fair values of the hedged financial instruments.

(in € million)	31 Dec. 2019 Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Assets						
Cash reserve	3 454	–	–	3 454	3 454	–
Trading assets	128	7 380	1 851	9 359	9 359	–
Positive fair values from derivatives	–	4 556	41	4 597	4 597	–
Interest-rate risks	–	4 211	11	4 222	4 222	–
Currency risks	–	321	–	321	321	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	23	30	53	53	–
Debt securities and other fixed interest securities	128	1 510	28	1 666	1 666	–
Loans and advances	–	1 314	1 782	3 096	3 096	–
Financial assets mandatorily at fair value through profit or loss	843	568	357	1 768	1 768	–
Equity instruments	19	2	–	21	21	–
Debt securities and other fixed interest securities	824	369	–	1 193	1 193	–
Loans and advances	–	197	357	554	554	–
Financial assets at fair value through other comrehensive income	5 204	10 509	1 472	17 185	17 185	–
Debt securities and other fixed interest securities	5 204	10 509	45	15 758	15 758	–
Loans and advances	–	–	1 427	1 427	1 427	–
Financial assets at amortised cost	5 396	6 845	94 960	107 201	104 215	2 986
Debt securities and other fixed interest securities	327	3 827	–	4 154	4 180	– 26
Loans and advances	5 069	3 018	94 960	103 047	100 035	3 012
Positive fair values from hedge accounting derivatives	–	1 019	–	1 019	1 019	–
Positive fair values from allocated micro fair value hedge derivatives	–	998	–	998	998	–
Interest-rate risks	–	970	–	970	970	–
Currency risks	–	28	–	28	28	–
Positive fair values from allocated portfolio fair value hedge derivatives	–	21	–	21	21	–
Interest-rate risks	–	21	–	21	21	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	281	– 281
Shares in companies	24	–	328	352	352	–
Financial assets held for sale measured at fair value	–	–	42	42	42	–
Financial assets held for sale are not recognised at fair value	–	–	14	14	14	–
Other assets (only financial instruments) measured at fair value	–	35	–	35	35	–
Total	**15 049**	**26 356**	**99 024**	**140 429**	**137 724**	**2 705**

[1] Contributions relating to the assets item Balancing items for financial instruments hedged in the portfolio fair value hedge are shown in the fair values of the hedged financial instruments.

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

(in € million)	30 Jun. 2020 Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
Liabilities						
Trading liabilities	**13**	**3 317**	**139**	**3 469**	**3 469**	**–**
Negative fair values from derivatives	–	3 275	139	3 414	3 414	–
Interest-rate risks	–	2 908	102	3 010	3 010	–
Currency risks	–	359	–	359	359	–
Share-price and other price risks	–	2	–	2	2	–
Credit derivatives	–	6	37	43	43	–
Delivery obligations from short-sales	13	42	–	55	55	–
Financial liabilities designated at fair value through profit or loss	**508**	**5 043**	**1 815**	**7 366**	**7 366**	**–**
Deposits	–	2 679	1 815	4 494	4 494	–
Securitised liabilities	508	2 364	–	2 872	2 872	–
Financial liabilities measured at amortised cost	**2 132**	**32 628**	**76 897**	**111 657**	**108 629**	**3 028**
Deposits	409	11 237	74 602	86 248	83 357	2 891
Securitised liabilities	1 723	21 391	2 295	25 409	25 272	137
Negative fair values from hedge accounting derivatives	**–**	**2 200**	**–**	**2 200**	**2 200**	**–**
Negative fair values from allocated micro fair value hedge derivatives	–	2 116	–	2 116	2 116	–
Interest-rate risks	–	1 906	–	1 906	1 906	–
Currency risks	–	210	–	210	210	–
Nagative fair values from allocated portfolio fair value hedge derivatives	–	84	–	84	84	–
Interest-rate risks	–	84	–	84	84	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	**–**	**–**	**–**	**–[1]**	**1 141**	**– 1 141**
Other liabilities (only financial instruments) measured at fair value	**617**	**115**	**–**	**732**	**732**	**–**
Total	**3 270**	**43 303**	**78 851**	**125 424**	**123 537**	**1 887**

[1] Contributions relating to the liabilities item Balancing items for financial instruments hedged in the portfolio fair value hedge are shown in the fair values of the hedged financial instruments.

(in € million)	Level 1	Level 2	Level 3	Total fair values	Carrying amount	Difference
	31 Dec. 2019					
Liabilities						
Trading liabilities	10	3 211	110	3 331	3 331	–
Negative fair values from derivatives	–	3 159	110	3 269	3 269	–
Interest-rate risks	–	2 666	69	2 735	2 735	–
Currency risks	–	492	–	492	492	–
Share-price and other price risks	–	1	–	1	1	–
Credit derivatives	–	–	41	41	41	–
Delivery obligations from short-sales	10	52	–	62	62	–
Financial liabilities designated at fair value through profit or loss	1 107	5 032	1 615	7 754	7 754	–
Deposits	–	2 988	1 615	4 603	4 603	–
Securitised liabilities	1 107	2 044	–	3 151	3 151	–
Financial liabilities measured at amortised cost	2 075	34 038	82 375	118 488	115 487	3 001
Deposits [2]	294	11 867	79 775	91 936	89 217	2 719
Securitised liabilities	1 781	22 171	2 600	26 552	26 270	282
Negative fair values from hedge accounting derivatives	–	2 018	–	2 018	2 019	– 1
Negative fair values from allocated micro fair value hedge derivatives	–	2 000	–	2 000	2 001	– 1
Interest-rate risks	–	1 795	–	1 795	1 796	– 1
Currency risks	–	205	–	205	205	–
Negative fair values from allocated portfolio fair value hedge derivatives	–	18	–	18	18	–
Interest-rate risks	–	18	–	18	18	–
Balancing items for financial instruments hedged in in the portfolio fair value hedge	–	–	–	–[1]	1 045	– 1 045
Other liabilities (only financial instruments) measured at fair value	–	30	–	30	30	–
Other liabilities (only financial instruments) not recognised at fair value	–	–	1	1	1	–
Total	**3 192**	**44 329**	**84 101**	**131 622**	**129 667**	**1 955**

[1] Contributions relating to the liabilities item Balancing items for financial instruments hedged in the portfolio fair value hedge are shown in the fair values of the hedged financial instruments.

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

1 Jan. - 30 Jun. 2020 (in € million)	From level 1 to level 2	From level 2 to level 1	From level 2 to level 3	From level 3 to level 2
Trading assets	**1**	**42**	**191**	**111**
Debt securities and other fixed interest securities	1	42	–	–
Loans and advances	–	–	191	111
Financial assets at fair value through profit or loss	**26**	**2**	**21**	**–**
Equity instruments	–	2	–	–
Debt securities and other fixed interest securities	26	–	21	–
Financial assets at fair value through other comrehensive income	**1 020**	**1 290**	**34**	**–**
Debt securities and other fixed interest securities	1 020	1 290	34	–
Designated financial liabilities at fair value through profit or loss	**595**	**–**	**172**	**15**
Deposits	–	–	172	15
Securitised liabilities	595	–	–	–

Most level transfers as at the reporting date compared to 31 December 2019 took place between Level 1 and Level 2. These transfers are attributable to changes in trading activity. Other significant level transfers were made from Level 2 to Level 1 as a result of a change in market activity.

The date of the transfer between the individual levels is the end of the reporting period.

The change in financial assets and liabilities in Level 3 of the fair-value hierarchy is as follows:

	Trading assets							
	Positive fair values from derivatives interest-rate risks		Positive fair values from derivatives credit derivatives		Debt securities and other fixed interest securities		Loans and advances to trading and other trading assets	
(in € million)	2020	2019	2020	2019	2020	2019	2020	2019
1 Jan.	**11**	**1**	**30**	**1**	**28**	**–**	**1 782**	**425**
Effect on the income statement[1]	– 8	–	64	– 1	2	–	67	13
Addition from purchase or issue	–	1	–	–	542	–	631	436
Disposal from sale	–	–	–	–	387	–	793	210
Repayment/exercise	–	–	–	–	–	–	106	90
Addition from level 1 and 2	–	–	–	–	–	–	191	23
Disposal to level 1 and 2	–	–	–	–	–	–	111	–
Changes from the basis of consolidation	–	–	–	–	–	–	– 1	60
Change from currency translation	–	–	–	–	–	–	– 3	–
30 Jun.	**3**	**2**	**94**	**–**	**185**	**–**	**1 657**	**657**
For information: Effect on income statement for financial instruments still held[1]	–	–	66	–	–	–	63	14

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value.

	Financial assets mandatorily at fair value through profit or loss			
	Debt securities and other fixed interest securities		Loans and advances	
(in € million)	2020	2019	2020	2019
1 Jan.	**–**	**–**	**357**	**690**
Effect on the income statement [1]	–	–	60	269
Addition from purchase or issue	–	–	63	112
Repayment/exercise	–	–	225	548
Addition from level 1 and 2	21	–	–	–
Disposal to level 1 and 2	–	–	–	40
Changes from the basis of consolidation	–	–	–	5
30 Jun.	**21**	**–**	**255**	**488**
For information: Effect on income statement for financial instruments still held [1]	–	–	– 92	– 63

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value.

	Financial assets at fair value through other comprehensive income			
	Debt securities and other fixed interest securities		Loans and advances	
(in € million)	2020	2019	2020	2019
1 Jan.	**45**	**95**	**1 427**	**1 809**
Effect on the income statement [1]	–	–	– 14	– 9
Effect on other comprehensive income (OCI)	–	4	– 12	13
Addition from purchase or issue	22	20	–	–
Disposal from sale	–	2	–	–
Repayment/exercise	–	–	202	75
Addition from level 1 and 2	34	–	–	–
Disposal to level 1 and 2	–	55	–	–
30 Jun.	**101**	**62**	**1 199**	**1 738**
For information: Effect on income statement for financial instruments still held[1]	–	–	– 8	– 7

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income, Profit/loss from risk provisioning, and Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss.

	Shares in companies		Financial assets held for sale measured at fair value	
(in € million)	2020	2019	2020	2019
1 Jan.	**328**	**321**	**42**	**84**
Effect on the income statement [1]	– 9	13	–	–
Disposal from sale	2	–	42	84
30 Jun.	**317**	**334**	**–**	**–**
For information: Effect on income statement for financial instruments still held [1]	– 9	13	–	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income, Profit/loss from financial assets at fair value, Risk provisioning, Disposal profit/loss from financial instruments that are not measured at fair value through profit or loss, Profit/loss from shares in companies, Administrative expenses and Other operating result.

	Trading liabilities			
	Negative fair values from derivatives interest-rate risks		Negative fair values from derivatives credit derivatives	
(in € million)	2020	2019	2020	2019
1 Jan.	**69**	**6**	**41**	**3**
Effect on the income statement[1]	– 58	– 5	– 4	– 3
Addition from purchase or issue	91	3	–	–
Disposal to level 1 and 2	–	1	–	–
30 Jun.	**102**	**3**	**37**	**–**
For information: Effect on income statement for financial instruments still held [1]	6	–	– 4	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value.

	Designated financial liabilities at fair value through profit or loss			
	Deposits		Securitised liabilities	
(in € million)	2020	2019	2020	2019
1 Jan.	**1 615**	**1 459**	**–**	**4**
Effect on the income statement [1]	24	149	–	–
Effect on other comprehensive income (OCI)	– 26	30	–	–
Addition from purchase or issue	115	–	–	–
Repayment/exercise	70	3	–	4
Addition from level 1 and 2	172	–	–	–
Disposal to level 1 and 2	15	6	–	–
30 Jun.	**1 815**	**1 629**	**–**	**–**
For information: Effect on income statement for financial instruments still held [1]	27	149	–	–

[1] The effects reported include net interest income and deferrals, valuation gains/losses and realised profit/loss; these are reported in the income statement under the items Net interest income and Profit/loss from financial assets at fair value.

The following significant non-observable input data were used for the fair value measurement of financial instruments classified in Level 3.

Product	Fair value 30 Jun. 2020	Significant non-observable input data in the fair value measurement	Spread of the used input data	Weighted average
Interest-bearing bonds (assets)	1 433	Discount rate	-0,1 - 2,4%	0.35%
Participations	317	Discount rate	7-9%	8,7%
Loans (assets)	1 824	Rating	Rating Class (27er DSGV-Skala) 1-21	Averaged Rating 4
	162	Cashflow	-	-
Loans (liabilities)	1 800	Discount rate	0,1-1,89%	1.17%
	15	historical volatilities	8%	8%
Derivatives (assets)	95	Rating	Rating Class (27er DSGV-Skala) 8-27	Averaged Rating 16
	3	Correlation	0,6-0,8	0.7
Derivatives (liabilities)	3	Rating	Rating Class (27er DSGV-Skala) 8-12	Averaged Rating 9
	9	Rating	Rating Class (27er DSGV-Skala) 1-26	Averaged Rating 10
	28	ship market value volatility/ sales discount	25%/26%	25%/26%
	100	Underlying	99,75-183,74	127

Significant changes to the material input parameter that cannot be observed on the market may result in a significantly higher or lower fair value. As part of the sensitivity analysis, the relevant input parameter was improved and/or downgraded by the factor specified in the table. The potential change in the fair value of Level 3 from the suggested change to the assumption-related parameter is specified below.

Product	Significant non-observable input data in the fair value measure-ment	Changes in sensitivity analysis	Potential changes in fair value 30 Jun. 2020 (in € million)	Potential changes in fair value 31 Dec.2020 (in € million)
Interest-bearing bonds (assets)	Discount rate	+/- 10 basis points	+/- 95	+/- 8
Participations	Discount rate	+/- 50 basis points	-9;1	-11;1
Loans (assets)	Rating	+/- 1 rating grade	-5; -8	+/- 2
	Cashflow	+/- 1 per cent	+/- 1	+/- 3
Loans (liabilities)	Discount rate	+/- 10 per cent	+/- 30	+/- 26
	historical volatilities	–	–	–
Derivatives (assets)	Rating	+/- 1 rating grade	136; -80	23; -7
	correlation	+/- 5 per cent	–	–
Derivatives (liabilities)	Rating	+/- 1 rating grade	11; -8	149; -90
	ship market value volatility/ sales discount	-	+/- 6	–
	Underlying	+/- ein Prozent	-/+ 1	-/+ 1

There are no relevant correlations between significant Level 3 input parameters for the fair value measurement of Level 3 financial instruments. As a result, there is no impact on the fair value.

(30) Risik Provisions and Cross Carrying Amount

Risk provisioning in the amount of the expected loss will be created for the next twelve months for financial assets and off-balance-sheet liabilities whose credit risk as at the reporting date has not increased significant-ly from the time of recognition (Stage 1). If, as at the reporting date, the credit risk has increased significantly from the time of recognition, risk provisioning is created in the amount of the expected loss for the remaining term of the financial assets and off-balance-sheet liabilities (Stage 2). Similarly, risk provisioning is created in the amount of the default expectation for the remaining term of the financial assets and off-balance-sheet liabilities if there are objective indications of impairment at the reporting date and the exposure has defaulted (Stage 3).

Changes in risk provisioning may result primarily from a change in the stage of financial assets and off-balance sheet liabilities or from creditworthiness-related changes in risk provisioning within a stage.

The consequences of the COVID-19 pandemic had not yet been felt in the risk provisioning of the NORD/LB Group as at 30 June 2020. For this reason, the Managing Board of the Bank decided to form a management adjustment (MAC-19) in the amount of € 100 million for the performing loans in accordance with IFRS 9, to quickly anticipate the expected impact on risk provisioning according to IFRS in the consolidated financial statements for 2020. Further information on the impact of the COVID-19 pandemic is set out under Note (2) Impact of the coronavirus crisis.

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

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes					
	Opening balance 1 Jan. 2020	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 30 Jun. 2020
Financial assets at fair value through other comprehensive income															
Stage 1															
Debt securities	1	–	–	–	–	–	–	–	–	–	–	–	–	–	1
	1	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1**
Stage 2															
Debt securities	3	–	–	–	1	–	–	–	–	–	–	–	–	–	4
	3	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**
	4	**–**	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5**
Financial assets at amortised cost															
Stage 1															
Debt securities	1	–	–	–	–	–	–	–	–	–	–	–	–	–	1
Loans and advances	49	13	– 3	–	72	15	21	–	12	–	–	11	–	–	124
	50	**13**	**– 3**	**–**	**72**	**15**	**21**	**–**	**12**	**–**	**–**	**11**	**–**	**–**	**125**
Stage 2															
Debt securities	4	–	–	–	2	–	–	–	–	–	–	–	–	–	6
Loans and advances	94	– 13	3	– 4	66	4	12	–	22	–	–	4	–	–	120
	98	**– 13**	**3**	**– 4**	**68**	**4**	**12**	**–**	**22**	**–**	**–**	**4**	**–**	**–**	**126**
Stage 3															
Loans and advances	1 452	–	–	4	221	137	49	268	305	2	– 10	– 76	–	–	1 108
	1 452	**–**	**–**	**4**	**221**	**137**	**49**	**268**	**305**	**2**	**– 10**	**– 76**	**–**	**–**	**1 108**
	1 600	**–**	**–**	**–**	**361**	**156**	**82**	**268**	**339**	**2**	**– 10**	**– 61**	**–**	**–**	**1 359**
Total	**1 604**	**–**	**–**	**–**	**362**	**156**	**82**	**268**	**339**	**2**	**– 10**	**– 61**	**–**	**–**	**1 364**

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes					
	Openin g balance 1 Jan. 2020	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposa l of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Endbest and zum 30.6. 2020
Off-balance sheet liabilities															
Stage 1															
Loan commitments	4	–	–	–	1	2	1	–	1	–	–	–	–	–	5
Financial guarantees	1	1	–	–	11	1	1	–	–	–	–	–	–	–	13
Off-balance-sheet liabilities	3	–	–	–	1	2	1	–	1	–	–	–	–	–	4
	8	**1**	**–**	**–**	**13**	**5**	**3**	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**22**
Stage 2															
Loan commitments	2	–	–	–	3	1	–	–	2	–	–	– 2	–	–	2
Financial guarantees	8	– 1	–	–	11	–	–	–	2	–	–	–	–	–	16
Off-balance-sheet liabilities	2	–	–	–	1	1	–	–	1	–	–	1	–	–	4
	12	**– 1**	**–**	**–**	**15**	**2**	**–**	**–**	**5**	**–**	**–**	**– 1**	**–**	**–**	**22**
Stage 3															
Loan commitments	8	–	–	–	7	7	4	–	6	–	–	2	–	–	14
Financial guarantees	9	–	–	–	–	–	–	–	2	–	–	1	–	–	8
Off-balance-sheet liabilities	24	–	–	–	–	–	10	–	19	–	–	20	–	–	15
	41	**–**	**–**	**–**	**7**	**7**	**14**	**–**	**27**	**–**	**–**	**23**	**–**	**–**	**37**
Total	**61**	**–**	**–**	**–**	**35**	**14**	**17**	**–**	**34**	**–**	**–**	**22**	**–**	**–**	**81**

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

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes					
	Opening balance 1 Jan. 2019	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Closing balance 30 Jun. 2019
Financial assets at fair value through other comprehensive income															
Stage 1															
Debt securities	2	–	–	–	–	1	1	–	–	–	–	–	–	–	2
	2	**–**	**–**	**–**	**–**	**1**	**1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2**
Stage 2															
Debt securities	3	–	–	–	–	–	–	–	–	–	–	–	–	–	3
	3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3**
	5	–	–	–	–	1	1	–	–	–	–	–	–	–	5
Financial assets at amortised cost															
Stage 1															
Debt securities	–	1	–	–	–	–	1	–	–	–	–	–	–	–	–
Loans and advances	68	20	– 2	–	15	23	50	–	15	–	–	3	–	–	62
	68	**21**	**– 2**	**–**	**15**	**23**	**51**	**–**	**15**	**–**	**–**	**3**	**–**	**–**	**62**
Stage 2															
Debt securities	10	– 1	–	–	1	–	–	–	–	–	–	–	–	–	10
Loans and advances	123	– 20	2	– 4	48	12	23	–	41	–	–	– 1	–	–	96
	133	**– 21**	**2**	**– 4**	**49**	**12**	**23**	**–**	**41**	**–**	**–**	**– 1**	**–**	**–**	**106**
Stage 3															
Loans and advances	3 783	–	–	4	129	169	214	1 504	226	26	– 27	77	25	–	2 242
	3 783	**–**	**–**	**4**	**129**	**169**	**214**	**1 504**	**226**	**26**	**– 27**	**77**	**25**	**–**	**2 242**
	3 984	**–**	**–**	**–**	**193**	**204**	**288**	**1 504**	**282**	**26**	**– 27**	**79**	**25**	**–**	**2 410**
Total	**3 989**	**–**	**–**	**–**	**193**	**205**	**289**	**1 504**	**282**	**26**	**– 27**	**79**	**25**	**–**	**2 415**

(in € million)		Transfer			Addition risk provisioning		Reversal/Utilisation risk provisioning			Other changes					
	Opening balance 1 Jan. 2019	Stage 1	Stage 2	Stage 3	Credit-related additions	Addition of assets	Credit-related reversals	Utilisation	Disposal of assets	Modification of assets	Unwinding	Currency translation	Change from the basis of consolidation	Other changes	Endbestand zum 30.6. 2019
Off-balance sheet liabilities															
Stage 1															
Loan commitments	5	–	–	–	1	4	2	–	2	–	–	–	–	–	6
Financial guarantees	2	1	–	–	–	1	2	–	–	–	–	–	–	–	2
Off-balance-sheet liabilities	5	–	–	–	–	13	13	–	1	–	–	–	–	–	4
	12	**1**	**–**	**–**	**1**	**18**	**17**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**12**
Stage 2															
Loan commitments	4	–	–	–	3	1	–	–	1	–	–	– 1	–	–	6
Financial guarantees	10	– 1	–	–	4	–	1	–	–	–	–	–	–	–	12
Off-balance-sheet liabilities	2	–	–	–	1	1	–	–	–	–	–	1	–	–	5
	16	**– 1**	**–**	**–**	**8**	**2**	**1**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**23**
Stage 3															
Loan commitments	8	–	–	–	8	5	4	–	8	–	–	1	–	–	10
Financial guarantees	6	–	–	–	4	–	–	–	–	–	–	–	–	–	10
Off-balance-sheet liabilities	20	–	–	–	19	2	–	1	–	–	–	2	–	–	42
	34	**–**	**–**	**–**	**31**	**7**	**4**	**1**	**8**	**–**	**–**	**3**	**–**	**–**	**62**
Total	**62**	**–**	**–**	**–**	**40**	**27**	**22**	**1**	**12**	**–**	**–**	**3**	**–**	**–**	**97**

The development of the gross carrying amounts during the reporting period for the financial assets at fair value through profit or loss is shown in the following overview.

(in € million)	Opening balance 1 Jan. 2020	Transfer			Addition of assets	Disposal of assets	Other changes					Closing balance 30 Jun. 2020
		Stage 1	Stage 2	Stage 3			Direct write-offs of assets	Modification of assets	Currency translation	Change from the basis of consolidation	Other Changes	
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt securities	14 872	–	– 30	–	2 462	3 210	–	–	– 3	–	–	14 091
Loans and advances	1 358	–	–	–	6	221	–	–	–	–	–	1 143
	16 230	–	– 30	–	2 468	3 431	–	–	– 3	–	–	15 234
Stage 2												
Debt securities	103	–	30	–	6	–	–	–	–	–	–	139
	103	–	30	–	6	–	–	–	–	–	–	139
	16 333	–	–	–	2 474	3 431	–	–	– 3	–	–	15 373
Financial assets at amortised cost												
Stage 1												
Debt securities	3 877	4	– 156	–	367	423	–	–	– 5	–	–	3 664
Loans and advances	96 182	504	– 1 046	– 84	10 018	18 585	17	–	– 234	–	–	86 738
Cash reserve	3 454	–	–	–	8 743	5 405	–	–	29	–	2	6 823
	103 513	508	– 1 202	– 84	19 128	24 413	17	–	– 210	–	2	97 225
Stage 2												
Debt securities	308	– 4	156	–	50	9	–	–	–	–	–	501
Loans and advances	2 688	– 504	1 046	– 124	715	520	–	–	– 6	–	–	3 295
	2 996	– 508	1 202	– 124	765	529	–	–	– 6	–	–	3 796
Stage 3												
Loans and advances	2 714	–	–	208	365	766	389	–	5	–	–	2 137
	2 714	–	–	208	365	766	389	–	5	–	–	2 137
	109 223	–	–	–	20 258	25 708	406	–	– 211	–	2	103 158
Total	125 556	–	–	–	22 732	29 139	406	–	– 214	–	2	118 531

The following overview presents the change over the previous year in the gross carrying amounts of financial assets not measured at fair value through profit or loss.

(in € million)	Opening balance 1 Jan. 2019	Transfer Stage 1	Transfer Stage 2	Transfer Stage 3	Addition of assets	Disposal of assets	Direct write-offs of assets	Other changes Modification of assets	Other changes Currency translation	Other changes Change from the basis of consolidation	Other changes Other Changes	Closing balance 30 Jun. 2019
Financial assets at fair value through other comprehensive income												
Stage 1												
Debt securities	17 959	107	–	–	1 924	3 421	–	–	9	–	–	16 578
Loans and advances	1 737	–	–	–	12	96	–	–	–	–	–	1 653
	19 696	107	–	–	1 936	3 517	–	–	9	–	–	18 231
Stage 2												
Debt securities	186	– 107	–	–	1	7	–	–	–	–	–	73
	186	– 107	–	–	1	7	–	–	–	–	–	73
	19 882	–	–	–	1 937	3 524	–	–	9	–	–	18 304
Financial assets at amortised cost												
Stage 1												
Debt securities	3 266	59	–	–	269	284	–	–	15	– 7	7	3 325
Loans and advances	107 464	555	– 846	– 81	15 466	23 008	–	–	59	–	–	99 609
Cash reserve	1 519	–	–	–	2 368	3 414	–	–	19	1	1	494
	112 249	614	– 846	– 81	18 103	26 706	–	–	93	– 6	8	103 428
Stage 2												
Debt securities	679	– 60	–	–	35	5	–	–	3	–	–	652
Loans and advances	2 524	– 515	851	– 36	756	681	–	–	– 5	–	–	2 894
	3 203	– 575	851	– 36	791	686	–	–	– 2	–	–	3 546
Stage 3												
Loans and advances	2 764	– 42	– 6	132	2 120	778	334	2	35	3	–	3 896
	2 764	– 42	– 6	132	2 120	778	334	2	35	3	–	3 896
POCI												
Loans and advances	–	–	–	–	5	7	–	–	2	–	–	–
	–	–	–	–	5	7	–	–	2	–	–	–
	118 216	– 3	– 1	15	21 019	28 177	334	2	128	– 3	8	110 870
Total	138 098	– 3	– 1	15	22 956	31 701	334	2	137	– 3	8	129 174

(31) Derivative Financial Instruments

The composition of the portfolio of derivative financial instruments is as follows:

	Nominal values		Positive fair value		Negative fair value	
(in € million)	30 Jun. 2020	31 Dec. 2019	30 Jun. 2020	31 Dec. 2019	30 Jun. 2020	31 Dec. 2019
Interest-rate risk	286 439	312 040	5 577	5 212	5 000	4 549
Currency risk	27 259	33 103	456	350	568	698
Credit derivatives risks	29	34	1	1	2	1
Share price and other price risks	4 535	4 882	110	53	44	41
Total	**318 262**	**350 059**	**6 144**	**5 616**	**5 614**	**5 289**

(32) Regulatory Data

The following consolidated regulatory data for the Group were determined as at the reporting date in accordance with the provisions of Regulation (EU) No. 575/2013 on prudential requirements for banks and investment firms (CRR).

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)
Total risk exposure amount	**41 592**	**39 841**
Capital requirements for credit risk	2 826	2 659
Capital requirements for operational risks	258	321
Capital requirements for market risks	184	154
Capital requirements for loan amount adjustments	49	53
Other or transitional capital requirements	10	–
Capital requirements	**3 327**	**3 187**

The following overview shows the composition of regulatory capital for the Group in accordance with Article 25 et. seq. of the CRR:

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)
Paid-up capital including premium	5 414	5 414
Retained profits	1 313	1 363
Accumulated OCI	– 744	– 744
Regulatory adjustments	– 157	– 93
Other components of CET 1	22	33
– Deductible items (from CET 1 capital)	– 185	– 181
Common Equity Tier 1 capital	**5 662**	**5 792**
Paid-in instruments of additional Tier 1 capital	50	50
Other components of additional Tier 1 capital	177	266
Additional Tier 1 capital	**227**	**316**
Tier 1 capital	**5 890**	**6 108**
Paid-up instruments of Tier 2 capital	1 779	2 292
Other components of Tier 2 capital	181	149
– Deductible items (from Tier 2 capital)	– 10	– 10
Adjustments due to transition rules	– 2	– 269
Tier 2 capital	**2 163**	**2 162**
Own funds	**8 052**	**8 270**

	30 Jun. 2020 (in %)	31 Dec. 2019 (in %)
Common equity tier 1 capital ratio	13.61%	14.54%
Tier 1 capital ratio	14.16%	15.33%
Total capital ratio	19.36%	20.76%

Due to the presentation in million €, the reproduction of mathematical operations in the tables at hand can lead to minor differences.

(33) Contingent Liabilities and Other Obligations

	30 Jun. 2020 (in € million)	31 Dec. 2019 (in € million)	Change (in %)
Contingent liabilities			
Liabilities from guarantees and other indemnity agreements	3 724	3 805	– 2
Other contingent liabilities	68	58	17
	3 792	**3 863**	**– 2**
Other obligations			
Credit commitments	8 335	7 994	4
Total	**12 127**	**11 857**	**2**

(34) Related Parties

The scope of relations (excluding transactions to be eliminated in the consolidation) with related companies and persons is shown in the following tables:

30 Jun. 2020 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**333**	**–**	**–**	**80**	**–**	**11**
Derivates	132	–	–	80	–	6
Debt securities and other fixed interest securities	27	–	–	–	–	–
Loans and advances	174	–	–	–	–	5
Financial assets mandatorily at fair value through profit or loss	**–**	**20**	**–**	**–**	**–**	**–**
Equity instruments	–	20	–	–	–	–
Financial assets at fair value through other comprehensive income	**1 067**	**–**	**–**	**–**	**–**	**–**
Debt securities and other fixed interest securities	**1 036**	**–**	**–**	**–**	**–**	**–**
Loans and advances	31	–	–	–	–	–
Financial assets at amortised costs	**1 654**	**–**	**–**	**371**	**3**	**343**
Loans and advances	1 654	–	–	371	3	343
Other assets	**90**	**4**	**–**	**–**	**–**	**–**
Total	**3 144**	**24**	**–**	**451**	**3**	**354**

30 Jun. 2020 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**167**	**–**	**–**	**38**	**–**	**–**
Derivates	167	–	–	38	–	–
Financial liabilities designated at fair value through profit or loss	**38**	**–**	**–**	**–**	**–**	**77**
Deposits	38	–	–	–	–	77
Financial liabilities at amortised costs	**234**	**76**	**–**	**266**	**2**	**294**
Deposits	234	25	–	266	2	294
Other financial liabilities	–	51	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**439**	**77**	**–**	**304**	**2**	**371**
Guarantees and sureties received	60	–	–	–	–	–
Guarantees and sureties granted	–	–	–	1	–	5

1 Jan. - 30 Jun. 2020 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest income	36	–	–	5	–	2
Interest expense	12	1	–	5	–	3
Commission income	5	–	–	–	–	–
Commission expenses	95	–	–	–	–	–
Other income/expense	73	–	–	– 21	– 2	–
Total	**7**	**– 1**	**–**	**– 21**	**– 2**	**– 1**

31 Dec. 2019 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Assets						
Trading assets	**362**	**–**	**–**	**81**	**–**	**8**
Derivates	82	–	–	81	–	8
Debt securities and other fixed interest securities	82	–	–	–	–	–
Loans and advances	198	–	–	–	–	–
Financial assets mandatorily at fair value through profit or loss	**–**	**20**	**–**	**–**	**–**	**–**
Equity instruments	–	20	–	–	–	–
Financial assets at fair value through other comprehensive income	**1 101**	**–**	**–**	**–**	**–**	**–**
Debt securities and other fixed interest securities	**1 029**	–	–	–	–	–
Loans and advances	72	–	–	–	–	–
Financial assets at amortised costs	**1 718**	**1**	**–**	**360**	**2**	**711**
Loans and advances	1 718	1	–	360	2	711
Other assets	**89**	**5**	**–**	**–**	**–**	**–**
Total	**3 270**	**26**	**–**	**441**	**2**	**719**

31 Dec. 2019 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Liabilities						
Trading liabilities	**145**	**–**	**–**	**21**	**–**	**–**
Derivates	145	–	–	21	–	–
Financial liabilities designated at fair value through profit or loss	**39**	**–**	**–**	**–**	**–**	**77**
Deposits	39	–	–	–	–	77
Financial liabilities at amortised costs	**260**	**75**	**–**	**265**	**2**	**320**
Deposits	260	25	–	265	2	320
Other financial liabilities	–	50	–	–	–	–
Other liabilities	**–**	**1**	**–**	**–**	**–**	**–**
Total	**444**	**76**	**–**	**286**	**2**	**397**
Guarantees and sureties received	60	–	–	–	–	–
Guarantees and sureties granted	–	–	–	1	–	5

1 Jan. - 30 Jun. 2019 (in € million)	Companies with significant influence	Subsidiaries	Joint Ventures	Associated companies	Persons in key positions	Other related parties
Interest income	48	1	–	4	–	3
Interest expense	11	1	–	5	–	4
Commission income	4	–	–	–	–	–
Other income/expense [1]	– 60	4	–	– 17	– 2	– 3
Total	**– 19**	**4**	**–**	**– 18**	**– 2**	**– 4**

[1] The previous year's figures were adjusted in accordance with IAS 8.42 in the item Other income and expenses by € -60 million with respect to companies with significant influence, by € -1 million with respect to subsidiaries, by € -17 million with respect to affiliated companies and by € -3 million with respect to other related parties.
[2] A essential part of this position is the result from financial instruments measured at fair value through profit or loss.

As at the reporting date, there were impairments for loans and advances to non-consolidated subsidiaries amounting to € 1 million (€ 1 million).

(35) Equity Holdings

Company name and registered office	Shares (%) indirect	Shares (%) direct
Subsidiaries included in the consolidated financial statements		
BGG Bremen GmbH & Co. KG, Bremen	100.00	–
BLB Immobilien GmbH, Bremen	–	100.00
Deutsche Hypothekenbank (Actien-Gesellschaft), Hannover	–	100.00
GBH Beteiligungs-GmbH, Bremen	–	100.00
KreditServices Nord GmbH, Braunschweig	–	100.00
Nieba GmbH, Hannover	–	100.00
NORD/FM Norddeutsche Facility Management GmbH, Hannover	–	100.00
NORD/LB Leasing GmbH, Oldenburg	–	100.00
NORD/LB Luxembourg S.A. Covered Bond Bank, Luxemburg-Findel / Luxemburg	–	100.00
NORDWEST VERMÖGEN Bremische Grundstücks-GmbH & Co. KG, Bremen	100.00	–
NORDWEST VERMÖGEN Vermietungs-GmbH & Co. KG, Bremen	90.00	10.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Special Purpose Entities included in the consolidated financial statements		
DEMURO Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Pullach im Isartal	–	–
Fürstenberg Capital Erste GmbH, Fürstenberg/Weser	–	–
Fürstenberg Capital II. GmbH, Fürstenberg/Weser	–	–
Hannover Funding Company LLC, Dover / USA	–	–
KMU Shipping Invest GmbH, Hamburg	–	–
NORD/LB Objekt Magdeburg GmbH & Co. KG, Pullach im Isartal	–	–
Investment funds included in the consolidated financial statements		
NORDLB SICAV-RAIF S.C.Sp. Aviation 1, Luxemburg	–	100.00
NORD/LB SICAV-RAIF S.C.Sp.-Infrastructure & Renewables GBP 2, Luxemburg	–	100.00

Company name and registered office	Shares (%) indirect	Shares (%) direct
Companies / investment funds accounted for in the consolidated financial statements using the equity method		
Joint Ventures		
caplantic GmbH, Hannover	–	45.00
Associated companies		
Ammerländer Wohnungsbau-Gesellschaft mbH, Westerstede	–	32.26
GSG Oldenburg Bau- und Wohngesellschaft mit beschränkter Haftung, Oldenburg	–	22.22
LBS Norddeutsche Landesbausparkasse Berlin-Hannover, Hannover	–	44.00
LINOVO Productions GmbH & Co. KG, Pöcking	–	45.17
NORD KB Beteiligungsgesellschaft mit beschränkter Haftung, Hannover	–	28.66
Öffentliche Lebensversicherung Braunschweig, Braunschweig [1)]	–	75.00
Öffentliche Sachversicherung Braunschweig, Braunschweig [1)]	–	75.00

[1)] This company is classified as an affiliated company due to its structure under company law.

(36) Events after Reporting Date

As part of the IBOR reform, discounting of secured transactions with the clearing houses EUREX Clearing AG and LCH Clearnet Ltd. were converted from EONIA to €STR at the end of July 2020. The differences in the derivative measurement were, in accordance with the professional instructions of the IDW BFA and FAB, recorded immediately through profit and loss in the income statement..

Review and Preparation

Review Report

To NORD/LB Norddeutsche Landesbank –Girozentrale -, Hanover, Braunschweig and Magdeburg

We have conducted a review of the condensed interim consolidated financial statements of the NORD/LB Norddeutsche Landesbank – Girozentrale – (NORD/LB), which comprise the income statements, statemet of comprehensive income, balance sheet, condensed statement of changes in equity, condensed statement of cash flows and condensed notes to the financial statements and the interim group management report for the period from 1 January to 30 June 2020, which are components of the half-year financial report pursuant to Section 115 WpHG. The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the management of NORD/LB. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed consolidated interim financial statements have not been prepared, in material respects, in accordance with the IAS 34 "Interim Financial Reporting", as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to interviews with personnel of NORD/LB and analytical evaluations and therefore does not provide the assurance attainable in an audit of financial statements. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hannover, 21. August 2019
KPMG AG
Wirtschaftsprüfungsgesellschaft

Wiechens	Bormann
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

We declare that to the best of our knowledge and in accordance with applicable accounting principles for semi-annual financial reporting, the consolidated semi-annual financial statements provide a true and fair view of the Group's financial position and financial performance and that the interim Group management report presents a true and fair view of the development of business, including the operating results and the position of the Group, and also describes the significant opportunities and risks relating to the probable development of the Group in the remainder of the financial year.

Hanover / Braunschweig / Magdeburg, 18 August 2020

Norddeutsche Landesbank Girozentrale

The Managing Board

Bürkle Dieng Schulz

Seidel Tallner

Other Information

Board Members

(As of: 30 June 2020)

1. Members of the Managing Board

Thomas S. Bürkle (Chairmann of the Managing Board))

Christoph Dieng

Christoph Schulz

Olof Seidel

Günter Tallner

2. Members of the Supervisory Board

Chairman
Reinhold Hilbers
Minister
Ministry of Finance Lower Saxony

1st. Deputy Chairman
Herbert Hans Grüntker
FIDES Delta GmbH

2nd. Deputy Chairman
Thomas Mang
President
Sparkassenverband, Lower Saxony

Members
Frank Berg
CEO
OstseeSparkasse Rostock

Edda Döpke
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Frank Doods
Secretary of State
Lower Saxony Ministry for Environment, Energy and Climate Protection

Jutta Echterhoff-Beeke
Managing partner Echterhoff Holding GmbH

Dr. Jürgen Fox
CEO
Saalesparkasse

Nana Geisler
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Cornelia Günther
Trade Union Secretary
ver.di Bezirk Hannover

Hermann Kasten

Prof. Dr. Susanne Knorre
Management Consultant

Ulrich Markurth
Mayor of Braunschweig

Frank Oppermann
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Jörg Reinbrecht
Trade Union Secretary
ver.di Bezirk Hannover

Michael Richter
Minister
Ministry of Finance Saxony-Anhalt

Jörg Walde
Bank Employee
NORD/LB Norddeutsche Landesbank Girozentrale

Matthias Wargers

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 our business and are beyond our control. These include, in particular, the development of financial markets as a result of the coronavirus pandemic 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 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.

Our annual and interim reports are available for download at www.nordlb.de/reports.

For questions about the reports, please contact our Investor Relations department.
Tel.: +49 511 361 - 53 82
Email: ir@nordlb.de

NORD/LB
Norddeutsche Landesbank Girozentrale
Friedrichswall 10
30159 Hanover
Tel.: +49 511 361 – 0
Fax: +49 511 361 – 25 02
Email: info@nordlb.de

Branches (including Braunschweigische Landessparkasse)

Bad Harzburg	Braunschweig	Bremen
Düsseldorf	Hamburg	Helmstedt
Holzminden	Magdeburg	Munich
Oldenburg	Salzgitter	Schwerin
Seesen	Stuttgart	Wolfenbüttel

In total, there are over 100 branches and self-service centres in the business territory covered by Braunschweigische Landessparkasse.
Details can be found at https://www.blsk.de

Foreign branches
London, New York, Singapore, Shanghai